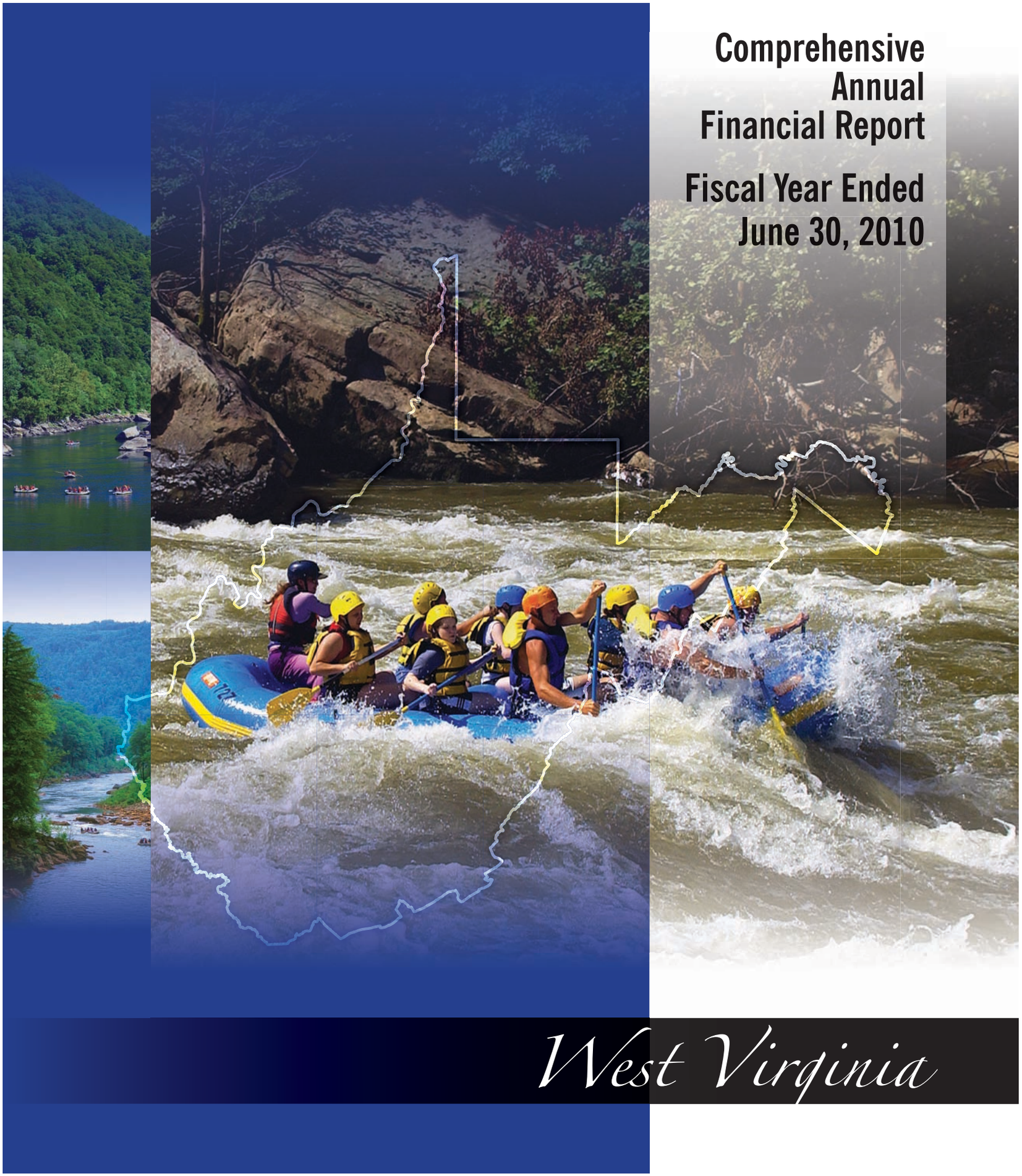

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

West Virginia

West Virginia

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2010

Earl Ray Tomblin
Governor

Robert W. Ferguson, Jr.
Cabinet Secretary
Department of Administration

Ross Taylor
State Comptroller
Department of Administration

Prepared by the
Financial Accounting
and Reporting Section

Governor Earl Ray Tomblin

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Earl Ray Tomblin
Governor

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To the Honorable Members of the West Virginia Legislature
And the Citizens of West Virginia

I am pleased to provide you with the State of West Virginia Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010. An independent certified public accounting firm has audited the basic financial statements contained in this report.

The CAFR demonstrates West Virginia's commitment to financial accountability and national standards. This document provides the Legislature and the citizens of West Virginia with the state's financial data. It can be accessed on the internet at www.wvfinance.state.wv.us.

This report was compiled with the help of individuals throughout state government. Each state agency provided clear, concise information to ensure the highest level of financial accountability.

Sincerely,

Earl Ray Tomblin

Earl Ray Tomblin
Governor

ACKNOWLEDGMENTS

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Special appreciation is given to all personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agencies made this report possible. The technical support of Information Services and Communications has been invaluable. Thanks to the Division of Tourism for their pictorial and technical assistance.

We invite you to visit our web site: www.wvfinance.state.wv.us

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STATE OF WEST VIRGINIA.
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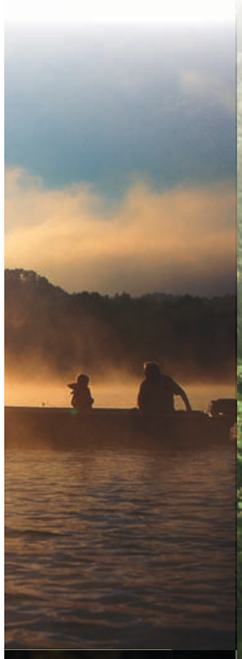

Transmittal Letter

Certificate of Achievement for Excellence in Financial Reporting

Organization Chart

Principal Officials

Introductory Section

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
DIVISION OF FINANCE

EARL RAY TOMBLIN
GOVERNOR

ROBERT W. FERGUSON, JR.
CABINET SECRETARY

February 28, 2011

The Honorable Earl Ray Tomblin, Governor
The Honorable Members of the West Virginia Legislature
The Citizens of West Virginia

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of West Virginia for the fiscal year ended June 30, 2010. This report has been prepared by the Financial Accounting and Reporting Section within the Division of Finance of the Department of Administration.

The CAFR has been prepared in conformity with the reporting model outlined by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as to provide traditional fund-based financial statements. The State of West Virginia's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with generally accepted accounting principles in the United States (GAAP).

The independent audit of the financial statements of the State of West Virginia is part of a broader, federally mandated "Single Audit" designed to meet the requirements of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with requirements applicable to major programs. These reports are available in the State of West Virginia's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

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The CAFR consists of management's representations concerning the financial information of the State of West Virginia. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with U.S. generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The State of West Virginia's financial statements have been audited by Ernst & Young LLP. The independent auditors concluded, based upon their audit and the reports of other auditors, that there was a reasonable basis for rendering an unqualified opinion.

Profile of the Government

The State of West Virginia provides a full range of services including: education, social and health services, transportation, public safety, conservation of natural resources, and economic development. In addition to general government activities, this report includes various discretely presented component units which are financially accountable to the State, or for which the nature and significance of their relationship with the State are such that their exclusion would cause this report to be misleading or incomplete. The criteria used to determine financial accountability of a particular entity are the appointment by a state official of a voting majority of the entity's governing body and (1) the ability of the State to impose its will on that entity or (2) the potential for the entity to provide specific financial benefits to or impose specific financial burdens on the State. See Note 1 (Summary of Significant Accounting Policies) for a comprehensive discussion of the criteria used in determining the State's financial reporting entity.

Budgetary control is maintained through legislative appropriations and the Executive Branch quarterly allotment process. Agencies submit budgetary requests to the State Budget Office. The State Budget Office compiles the Executive Budget on behalf of the Governor, who submits it to the Legislature. After the approval of the budget, the State Budget Office maintains control over the spending patterns of the State at the activity level and by use of the quarterly allotments. The State Auditor exercises control over spending at the annual appropriation level. All appropriations, except funds which are reappropriated, expire 31 days after fiscal year-end.

Economic Conditions and Outlook

As a result of fiscally responsible management practices, West Virginia has maintained an optimistic outlook during a difficult national economic recession. In comparison, West Virginia state government positions itself with a much better cash flow than most states. The Center on Budget and Policy Priorities reported in August of 2010, that West Virginia is one of only four states that have not cut constituent services, laid off or furloughed workers, nor raised taxes in order to balance the budget since 2008.

According to the West Virginia Department of Revenue, the State of West Virginia's Rainy Day Fund was fifth best in the country, as a percentage of the State's General Revenue appropriations, at 16.8 percent. Should the Rainy Day Fund balance exceed 10 percent of the General Revenue Fund appropriations as of July 1, 2011, the corporate net income tax rate will fall to 7.75 percent in 2012. As of September 2010, West Virginia has had five consecutive months of higher than anticipated revenue collection. Payroll employment numbers are also on the rise with a growth of 1.5 percent since January of 2010.

As with most states, federal stimulus funding has enabled many projects to begin that may not have been otherwise feasible. Due to proper fiscal management, West Virginia was the last state to require the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund, which was to backfill education budgets and keep the state at or above the 2009 levels of support. West Virginia spent a total of $611 million in ARRA funding during FY 2010.

The Broadband Development Council applied for and was awarded a $126 million grant to provide the "middle mile" for broadband services, mostly in rural areas.

Increased Federal Medical Assistance Percentages (FMAP) allowed a number of citizens to continue to receive Medicaid benefits without cost to the State. The FMAPs are used in determining the amount of federal matching funds for state expenditures for assistance payments for certain social services, and state medical and medical insurance expenditures.

West Virginia is a top state for putting stimulus dollars to work on our highways as well as on our water and sewer line expansion. This is the 11th consecutive year that West Virginia budgeted state and federal funds in excess of $1 billion for our roadway system. Over $40 million of the stimulus funds were targeted to 14 water and 39 sewer projects across the State during FY 2010.

The Division of Highways spent over $100 million in ARRA funds during this fiscal year on highway infrastructure investment projects, concurrent with regular programs. These would not have been completed without this assistance.

During 2010, the State completed six construction projects with costs in excess of $5 million, including portions of the King Coal Highway, West Virginia 10 and Corridor H, as well as, preservation projects on Interstates 64 and 70 and WV 34.

Also during 2010, fourteen construction projects throughout the State with costs in excess of $5 million were initiated on WV 2, WV 9, WV 10, US 220, Coalfields Expressway, King Coal Highway, as well as other routes. These fourteen projects have a combined construction cost of $253 million.

Long-term Financial Planning and Relevant Financial Policies

The key to fiscal planning and effective management is to seek innovative opportunities which result in efficiencies. An area of great importance in West Virginia is our natural resources.

West Virginia has thrived on traditional energy and manufacturing industries such as coal, chemicals and polymers, aerospace, automotive and wood products. All remain valued contributors to the State's economy.

Today, the State's economy is one that also includes innovation-driven, technology-based businesses, piloted by a highly skilled West Virginia work force. More than $13 billion in new business investments have been made in West Virginia's economy since 2005. A growing number of companies leading the advance in biometrics, biotechnology, information technology and renewable energy now operate in the State.

Global companies like Amazon.com, Bayer, Coldwater Creek, Dow, DuPont, Lockheed Martin, NGK, Toyota, and Pratt & Whitney have already discovered the advantages of locating in West Virginia. The State's approach to responsible government has produced a positive business climate and is clearing the way for business growth through tax cuts, workers' compensation reform, and investment in university research and other strategic economic development initiatives.

As economic markets bounce back, West Virginia is well-positioned as the ideal location for new and expanding companies that want to create good jobs in the State. West Virginia provides access to:

- A skilled and flexible work force that has earned a reputation for dedication, loyalty, and low absenteeism

- The lowest manufacturing-industry employee turnover rate in the nation

- One of the nation's lowest costs of doing business
- Electricity rates among the lowest in the nation
- A strategic location with overnight delivery to more than half the U.S. population
- High quality of life and unparalleled outdoor recreational activities

Major Initiatives

The State of West Virginia has focused on several major initiatives during FY 2010. Some of these initiatives are outlined below:

Pro-Growth Tax Reforms

West Virginia tax reductions removed more than $100 million of the business tax burden through legislation passed from FY 2005 through FY 2010. The State is one of only four to be awarded an "A" by the Cato Institute's Fiscal Policy Report Card on America's Governors: 2010. The report found that the West Virginia economy has done well under its fiscal policies of business tax cuts and frugal budgeting.

The following reduced business taxes help boost investment in the State's economy:

- A series of phased reductions has reduced the corporate net income tax rate to 8.5 percent. The tax will be reduced to 6.5 percent by 2014.
- The business franchise tax rate has been reduced to 0.41 percent. There will be an annual phased reduction in the tax and it will be eliminated in 2015.
- Aircraft owned or leased by commercial airlines, charter carriers, private carriers and private companies are valued for property tax purposes at salvage value which is defined as 5 percent of the original cost of the property.
- The High-Technology Business Property Valuation Act encourages high-technology businesses and internet advertising businesses to locate in West Virginia by providing special property tax valuation for equipment and tangible personal property. The property tax is reduced to approximately 5 percent of the tax that would otherwise apply, based on the original cost of the property. In addition, sales tax is eliminated from all purchases of prewritten computer software, computers, computer hardware, servers, building materials and tangible personal property for direct use in a high-technology business or an internet advertising business.

- The West Virginia Public Service Commission may establish special rates of electric power for industrial facilities that in its judgment are necessary or appropriate for the continued, new or expanded operation of energy-intensive industrial consumers.

Workers' Compensation Reforms

Since West Virginia privatized its workers' compensation market in 2006, the loss costs have decreased in the aggregate of 40 percent. This has resulted in a significant savings to employers. The workers' compensation market is competitive with over 200 carriers offering workers' compensation coverage.

West Virginia updated its job classification codes by adopting the National Council on Compensation Insurance (NCCI) codes. The changes have reduced rates for employers and reduced the wait for benefits from nearly two months to less than 15 days.

Strong Financial Performance

West Virginia's credit rating on its general obligation debt has been upgraded, enabling the State to borrow money at a lower interest rate. Moody's Investors Service upgraded the credit rating to Aa1, citing the State's strong financial performance during the recent economic downturn. The higher rating allows West Virginia to obtain money to finance major projects at a lower interest rate.

Higher Productivity

West Virginia's work force has earned an incredible reputation for dedication and loyalty, as well as low absenteeism and turnover. In recent data, West Virginia had the nation's lowest manufacturing-industry employee turnover rate, 31 percent below the national U.S. average.

The State had the second-lowest overall turnover rate. A low employee turnover rate is important because the cost to replace an employee is at least 150 percent of the person's base salary.

Cost of Doing Business in West Virginia

The 2009 Moody's *North American Business Cost Review* noted that West Virginia has the nation's third-lowest cost of doing business. Among the factors contributing to West Virginia's strong showing were its competitive wage rates, ranked 14th best in the nation; and its low energy costs, the second lowest in the country.

The State of West Virginia is proud of the fiscal management practices which have proven effective during this fiscal year and plans to continue seeking innovative ways to produce similar results. As the economy provides tough obstacles to our fiscal profile, our leadership team in the Governor's Office and the State Legislature have risen to these challenges by making sound decisions and finding alternative ways to accomplish the goals and objectives of the State for today and for the future.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of West Virginia for its CAFR for the fiscal years ended June 30, 1995 through 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA. Other state entities that have been awarded the Certificate of Achievement include the Board of Risk and Insurance Management, the Public Employees' Insurance Agency, the Department of Transportation, the Housing Development Fund, the Parkways, Economic Development and Tourism Authority, the West Virginia Lottery, and the West Virginia Prepaid College Plan.

Acknowledgments

The annual budget document, prepared by the State Budget Office, provides additional information related to budget priorities and goals, including acknowledgment of significant accomplishments of various agency programs. The budget document has received the GFOA's Award for Distinguished Budget Presentation Program for the fiscal years 1997 through 2011 budgets.

The CAFR is an example of the Governor's unwavering belief in, and commitment to, the State's financial accountability. Acknowledgment is given to the Legislature and its leadership for their commitment to sound budgeting and to meeting the financial obligations of the State. This report would not be possible without the support of all West Virginia state agencies. The State's continued success directly depends upon their cooperation and support.

Sincerely,

Robert W. Ferguson, Jr.
Cabinet Secretary

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of West Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ORGANIZATION CHART

Legislative

- Senate
- House of Delegates
- Legislative Auditor
- Legislative Services

Executive

- Governor
  Earl Ray Tomblin
- Treasurer
  John D. Perdue
- Agriculture
  Gus R. Douglass
- Auditor
  Glen B. Gainer III
- Secretary of State
  Natalie E. Tennant
- Attorney General
  Darrell V. McGraw, Jr.

Judicial

- Supreme Court
- Circuit Court
- Magistrate Court
- Family Courts

- Dept. of Administration
  Robert W. Ferguson, Jr.
  Cabinet Secretary
- Dept. of Education and the Arts
  Kay Goodwin
  Cabinet Secretary
- Dept. of Health and Human Resources
  Michael J. Lewis
  Cabinet Secretary
- Dept. of Military Affairs and Public Safety
  Joe Thornton
  Cabinet Secretary
- Dept. of Revenue
  John C. Musgrave
  Cabinet Secretary
- Dept. of Transportation
  Paul A. Mattox, Jr.
  Cabinet Secretary
- Dept. of Commerce
  Keith Burdette
  Cabinet Secretary
- Dept. of Environmental Protection
  Randy C. Huffman
  Cabinet Secretary
- Department of Education
  Dr. Steven L. Paine
  Superintendent of Schools
- Bureau of Senior Services
  Barbara Reynolds
  Acting Director
- Higher Education Policy Commission
  Dr. Brian E. Noland
  Chancellor
- Community and Technical College Education
  James L. Skidmore
  Chancellor
- Regulatory Boards and Commissions

As of December 31, 2010

State of WEST VIRGINIA

Principal Officials

Executive Branch

Governor
Earl Ray Tomblin

Agriculture Commissioner
Gus R. Douglass

Attorney General
Darrell V. McGraw, Jr.

State Auditor
Glen B. Gainer III

Secretary of State
Natalie E. Tennant

State Treasurer
John D. Perdue

Legislative Branch

President of the Senate
Earl Ray Tomblin

Speaker of the House
Richard Thompson

Chairman
Senate Finance
Walt Helmick

Chairman
House Finance
Harry Keith White

Judicial Branch

Supreme Court
Chief Justice
Robin Jean Davis

Supreme Court Justice
Brent D. Benjamin

Supreme Court Justice
Margaret L. Workman

Supreme Court Justice
Menis E. Ketchum, II

Supreme Court Justice
Thomas McHugh

As of December 31, 2010

STATE OF WEST VIRGINIA
JUNE
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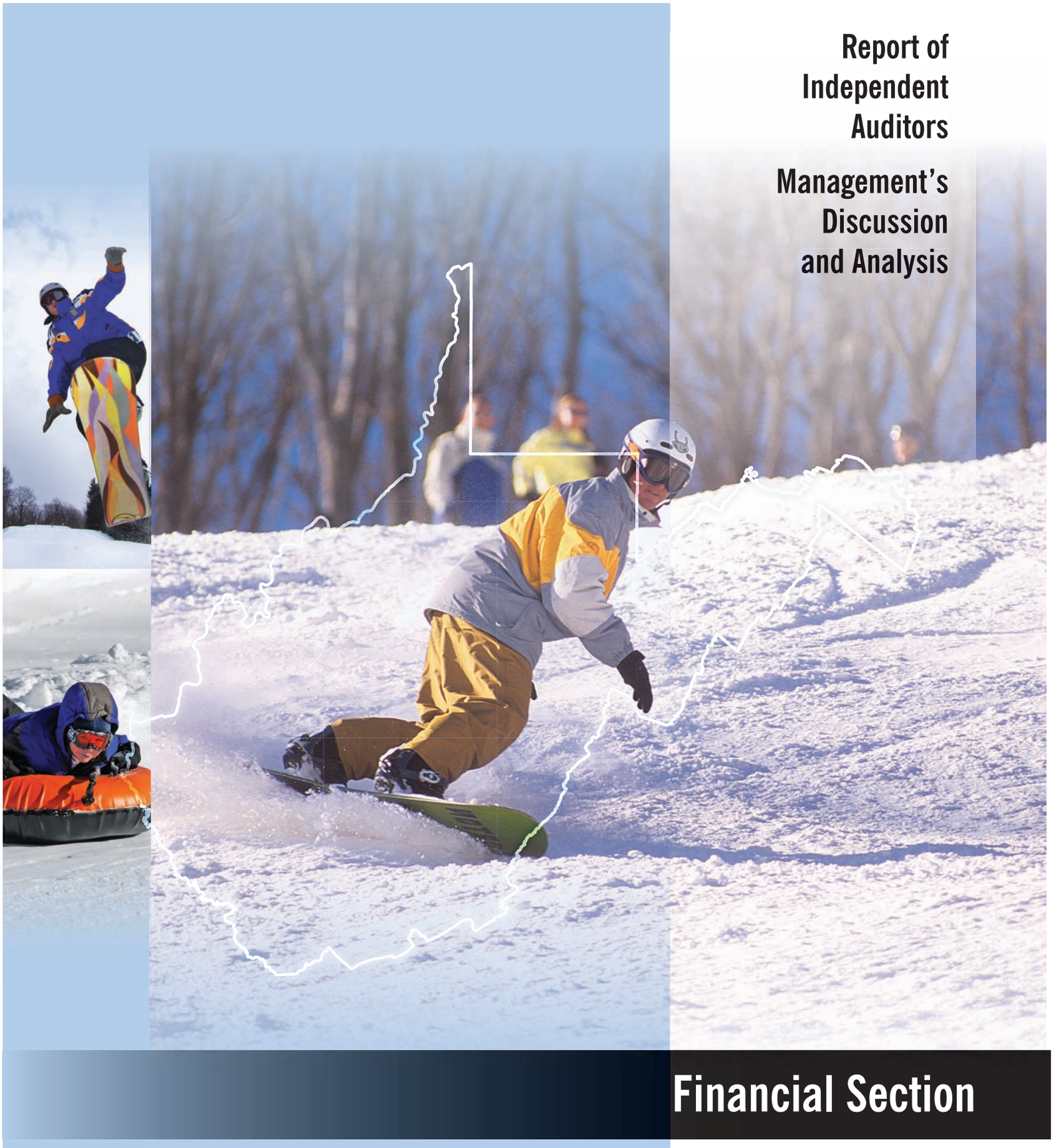

Report of Independent Auditors

Management's Discussion and Analysis

Financial Section

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Charleston, WV 25301
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Fax: +1 304 357 5994
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Report of Independent Auditors

The Honorable Earl Ray Tomblin, Governor
of the State of West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia (the State) as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 61 percent of total assets, 75 percent of net assets, and 15 percent of total revenues for the governmental activities; 84 percent of total assets, 87 percent of net assets, and 79 percent of total revenues for the business-type activities; 100 percent of total assets, 100 percent of net assets, and 100 percent of total revenues for the aggregate discretely presented component units; 100 percent of total assets, 100 percent of total net assets, and 100 percent of total revenues of each of the following major funds—Transportation, Tobacco Settlement Financing Authority, West Virginia Lottery, Water Pollution Control, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 87 percent of total assets, 89 percent of net assets/fund balance, and 67 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities within the governmental activities, business-type activities, aggregate discretely presented component units, certain major funds, and certain entities within the aggregate remaining fund information, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the State's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

A member firm of Ernst & Young Global Limited

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with US generally accepted accounting principles.

As more fully described in Note 2 to the financial statements, as of July 1, 2009 the State adopted Governmental Accounting Standards Board Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets* and Governmental Accounting Standards Board Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions"*.

The management's discussion and analysis on pages 4 through 20, the budgetary comparison information on pages 172 through 179, and pension plans schedule of funding progress on page 180 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedules on pages 183 through 225, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernst & Young LLP

February 28, 2011

A member firm of Ernst & Young Global Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of West Virginia's Comprehensive Annual Financial Report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and the State's financial statements, which follow this section.

The State implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the primary government exceeded its liabilities at the close of the fiscal year by $10.5 billion (reported as "net assets"). Governmental activities reported $9.8 billion in net assets (a $253 million increase, up 2.7% from last year, as restated), while the business-type activities reported net assets of $719 million, a $216 million increase. These differences are primarily due to the West Virginia Infrastructure and Jobs Development Council being reclassified from the governmental activities and accounted for as a business-type activity due to the implementation of GASB 54. Additional information on the restatement is in Note 2 in the notes to the basic financial statements.

Fund Level:

GASB Statement No. 54 provides new fund balance classifications for governmental funds. The previous reserved and unreserved classifications have been replaced with nonspendable, restricted, and unrestricted balances. Additional information on the State's fund balances can be found in Note 1 in the notes to the basic financial statements.

At year-end, the governmental funds reported combined ending fund balances of $2.68 billion, a decrease of $39 million, or 1.5% lower than the prior year, as restated. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was $2.15 billion. The nonspendable balance was $204 million and $327 million was restricted to capital projects, debt service, government operations, development tourism and recreation, education, health and social services, and public protection. General Revenue surpluses allowed $51 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund), up from the previous year by $40 million.

Long-Term Obligations:

There was a net decrease in the State's long-term obligations of $226 million. The decrease includes payments on bonds, capital leases, and notes payable of $112 million. The decreases in the debt were offset by new liabilities in the amount of $46 million including the accretion of capital appreciation bonds and new capital leases. The West Virginia Infrastructure and Jobs Development Council revenue bonds are now reported in the Business-type Activities, due to the adoption GASB 54. There was a $2.2 million reduction in the balance of these bonds during the current year, bringing the balance to $118.6 million. See Notes 10 and 11 for more information about bonds, capital leases, and notes payable.

The Insurance and Compensation Benefits decreased $148 million primarily due to the privatization of the workers' compensation fund and the stabilization of revenue to satisfy the declining liability for claims incurred on or before June 30, 2005. See Note 14 for a more detailed explanation about the privatization and funding plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of West Virginia's basic financial statements. The basic financial statements include: the government-wide financial statements, fund financial statements, and notes to the financial statements.

The basic financial statements include two kinds of statements that present different views of the State. The statement of net assets and the related statement of activities are *government-wide financial statements* that provide both long-term and short-term information about the State's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the State's government, reporting the State's operations in more detail than the government-wide statements. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that presents budgetary comparisons and pension plans schedule of funding progress as required by the Governmental Accounting Standards Board. In addition to these required elements, we have included a *combining financial statements and schedules* section that provides details about our nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component units, each of which are added together and presented in single columns in the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The statement of net assets and the statement of activities together comprise the government-wide statements, which report information about the State as a whole using the full accrual basis of accounting similar to those used by private-sector companies. This means all revenues and expenses are recognized regardless of whether cash has been received or paid, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's *net assets*, the difference between total assets and total liabilities, and how they have changed from the prior year. In evaluating the State's overall condition, additional nonfinancial factors should be considered, such as the State's economic outlook, changes in its demographics, and the condition of its capital assets, including infrastructure.

The activities on the government-wide financial statements are divided into three categories:

- *Governmental activities* – Most of the State's basic services are included under these activities, such as education, health and human resources, military affairs and public safety, judicial, and administration. Personal income taxes and consumer sales taxes finance most of these activities.

- *Business-type activities* – The State charges fees to customers to help it cover all or a significant portion of the costs of certain services it provides. The Public Employees' Insurance Agency and the Board of Risk and Insurance Management, among other funds, are examples of these activities.

- *Component units* – The State includes several other entities in its report for which it is financially accountable, such as the West Virginia Housing Development; Parkways, Economic Development and Tourism Authority; and Higher Education. Separately issued financial statements are also available for these component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's *major funds*, not the State as a whole. Funds are accounting devices that the State uses to track specific sources of funding and spending for particular purposes. Certain funds are required by the West Virginia Constitution and others are required by bond covenants. The State Legislature establishes other funds to control and manage money for particular purposes or to show that certain taxes and grants are used properly.

The State has three kinds of funds:

- *Governmental funds* – Most of the State's basic services are included in governmental funds, which focus on (1) *cash and other financial assets* that may readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view to help determine whether there are more or fewer financial resources that may be spent in the near future to finance the State's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the pages immediately following each statement, explaining the relationship (or differences) between them and the government-wide statements.

- *Proprietary funds* – Proprietary funds include enterprise funds and internal service funds. They account for state activities that are operated in a manner similar to private-sector businesses. Like the government-wide statements, proprietary fund statements are presented using the accrual basis of accounting and provide both long- and short-term financial information. Services for which the State charges external customers a fee are generally reported in enterprise funds. Activities where customers are mostly other state agencies are accounted for in internal service funds. The internal service funds are consolidated with the governmental activities on the government-wide statements because they predominantly benefit the governmental rather than business-type activities.

- *Fiduciary funds* – Fiduciary funds account for assets held for the benefit of parties outside of state government. The State is the trustee, or *fiduciary*, for its employees' pension plans and other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets, where applicable. These funds are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

Reconciliation Between Government-wide and Fund Statements

The financial statements contain schedules that reconcile the differences between the government-wide financial statements (long-term focus, accrual accounting) and the fund financial statements (short-term focus, modified accrual accounting). The following summarizes the primary differences between modified accrual to accrual accounting:

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.

- Capital outlay spending results in expenditures on the governmental fund statements; however, on the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. The excess of capital outlay over depreciation expense is included on the government-wide statement of activities.

- Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities on the government-wide statement of net assets.

- Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities, and net revenue of the internal service funds are reported with governmental activities on the government-wide statements.

- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statements, but are deferred revenue on the governmental fund statements.

- Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues and expenditures in the funds.

Notes to the Financial Statements

The notes provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

Following the Basic Financial Statements is the required supplementary information related to budgetary comparison schedules for the governmental funds with legally adopted annual budgets and a schedule of funding progress for pension plans along with notes with explanatory information.

Combining Financial Statements and Schedules

The combining financial statements and schedules include combining statements for the State's nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component units.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's combined net assets (governmental and business-type) increased $468 million over the course of this fiscal year's operations. The net assets of the governmental activities increased $253 million and the net assets of the business-type activities had an increase of $216 million. The overall increase in the State's net assets is primarily a result of increased capital assets, federal aid, partially from the American Recovery and Reinvestment Act, and a reduction of the Workers' Compensation Fund deficit (see Note 14 for more information).

Net Assets as of June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009 as Restated	2010	2009 as Restated	2010	2009 as Restated
Current and Other Assets	$ 5,154,129	$ 4,905,423	$3,411,396	$ 3,391,019	$ 8,565,525	$ 8,296,442
Capital Assets	8,760,673	8,448,575	31,428	12,304	8,792,101	8,460,879
Total Assets	13,914,802	13,353,998	3,442,824	3,403,323	17,357,626	16,757,321
Current and Other Liabilities	1,605,828	1,293,528	569,338	502,848	2,175,166	1,796,376
Long-term Liabilities	2,556,713	2,560,835	2,154,068	2,396,646	4,710,781	4,957,481
Total Liabilities	4,162,541	3,854,363	2,723,406	2,899,494	6,885,947	6,753,857
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,909,484	7,546,595	31,428	12,304	7,940,912	7,558,899
Restricted	435,296	817,524	1,432,449	1,522,122	1,867,745	2,339,646
Unrestricted (Deficit)	1,407,481	1,135,516	(744,459)	(1,030,597)	663,022	104,919
Total Net Assets (Deficit), as Restated	$ 9,752,261	$ 9,499,635	$ 719,418	$ 503,829	$10,471,679	$10,003,464

Net Assets

The largest component of the State's net assets is the amount invested in capital assets (e.g., land, buildings, equipment, infrastructure, and others), less any related debt outstanding needed to acquire or construct the assets. Capital assets are used to provide services to citizens; therefore, they are not available for future spending or to pay off their related liabilities. Capital assets, net of related debt, increased $382 million primarily due to the acquisition of rights of way and the construction of roads and bridges. The reduction of the Workers' Compensation Fund deficit by $205 million (see Note 14 for more information) was the primary driver in the increase in unrestricted net assets from $105 million to $663 million.

Restricted net assets comprise 18% of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted include funds for construction projects, debt service, lending activities, insurance activities, conservation, and economic development and tourism programs of the State.

Changes in Net Assets

The chart below represents financial information derived from the Government-wide Statement of Activities and reflects the State's total revenues, expenses, and changes in net assets for the years ended June 30, 2010 and 2009 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	$ 445,984	$ 413,971	$2,556,384	$2,346,259	$ 3,002,368	$ 2,760,230
Operating Grants and Contributions	4,067,812	3,474,836	—	—	4,067,812	3,474,836
Capital Grants and Contributions	635,147	488,297	—	11,384	635,147	499,681
General Revenues:						
Personal Income Tax	1,534,970	1,630,492	—	—	1,534,970	1,630,492
Consumer Sales Tax	1,131,075	1,088,901	—	—	1,131,075	1,088,901
Business Taxes	844,405	912,252	—	—	844,405	912,252
Transportation Taxes	541,023	533,833	—	—	541,023	533,833
Other Taxes	435,504	463,403	—	—	435,504	463,403
Other Revenues	253,625	143,818	244,877	(69,835)	498,502	73,983
Total Revenues	9,889,545	9,149,803	2,801,261	2,287,808	12,690,806	11,437,611
Program Expenses:						
Legislative	28,896	29,552	—	—	28,896	29,552
Judicial	124,627	106,933	—	—	124,627	106,933
Executive	261,764	143,872	—	—	261,764	143,872
Administration	163,662	201,469	—	—	163,662	201,469
Commerce	204,178	201,901	—	—	204,178	201,901
Environmental Protection	141,279	110,652	—	—	141,279	110,652
Employment Programs	57,286	45,000	—	—	57,286	45,000
Education	2,850,805	2,821,883	—	—	2,850,805	2,821,883
Health and Human Resources	4,088,254	3,737,102	—	—	4,088,254	3,737,102
Military Affairs and Public Safety	441,068	427,575	—	—	441,068	427,575
Revenue	270,870	83,458	—	—	270,870	83,458
Transportation	1,064,417	977,616	—	—	1,064,417	977,616
Senior Services	46,671	43,729	—	—	46,671	43,729
Regulatory Board and Commissions	36,917	35,079	—	—	36,917	35,079
Interest on Long-term Debt	135,534	141,756	—	—	135,534	141,756
West Virginia Lottery	—	—	899,247	1,022,747	899,247	1,022,747
Workers' Compensation Fund	—	—	173,967	36,252	173,967	36,252
Unemployment Compensation	—	—	605,272	356,715	605,272	356,715
West Virginia Infrastructure and Jobs Development Council	—	—	22,882	—	22,882	—
Water Pollution Control Revolving Fund	—	—	34,796	1,905	34,796	1,905
Public Employees' Insurance Agency	—	—	437,496	394,616	437,496	394,616
Board of Risk and Insurance Management	—	—	35,614	40,498	35,614	40,498
Other Nonmajor Business-type	—	—	97,089	69,184	97,089	69,184
Total Expenses	9,916,228	9,107,577	2,306,363	1,921,917	12,222,591	11,029,494
Increase (Decrease) in Net Assets Before Transfers	(26,683)	42,226	494,898	365,891	468,215	408,117
Transfers	279,309	206,287	(279,309)	(206,287)	—	—
Increase in Net Assets	252,626	248,513	215,589	159,604	468,215	408,117
Net Assets (Deficit), Beginning of Year	10,076,079	9,559,837	(83,503)	(243,107)	9,992,576	9,316,730
Change in Accounting Principle for Primarily Pollution Remediation Obligation	—	267,729	—	—	—	267,729
GASB 51 and GASB 54	(576,444)	—	587,332	—	10,888	—
Net Assets, Beginning of Year, as Restated	9,499,635	9,827,566	503,829	(243,107)	10,003,464	9,584,459
Net Assets (Deficit), End of Year	$ 9,752,261	$10,076,079	$ 719,418	$ (83,503)	$10,471,679	$ 9,992,576

Governmental Activities

The State's net assets before transfers decreased by $27 million for governmental activities. Revenues were up $740 million and expenses were up $809 million. The revenue increase was due primarily to higher federal revenues. Health and Human Resources (DHHR) was up $297 million, including food stamp revenue of $106 million, and an increase in the Medicaid federal medical assistance percentage (FMAP) due to changes in eligibility and benefit rates in the American Recovery and Reinvestment Act (ARRA).

Capital grants and contributions was up $147 million, approximately $82 million was increased ARRA funding for highway projects.

Overall tax revenue was down $142 million from the previous year. Business taxes were down $68 million primarily due to the National economy and changes in tax laws at the State and Federal level. Personal income taxes were down $95 due to high unemployment. Only Consumer Sales Tax was up by a significant amount, approximately $42 million.

Program expenses were up approximately $809 million in total. DHHR expenses were up $351 million due to increases in eligibility and/or rates in numerous programs, including Medicaid, Food Stamps, Child Support, Adoption assistance, and TANF, partially due to ARRA legislation and funding. DHHR also had health care cost increases, due to increases in rates and individuals served. Executive expenses were up $118 million, due primarily to ARRA stabilization funding for education. Transportation expenses were up $87 million due primarily to increased road construction and maintenance projects. The Department of Revenue expenses are up approximately $187 million, primarily due to a settlement with the Federal Government, more fully described in Note 15.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 41% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 47.6% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 41.8% for health and human resources and 29.15% for education (see Chart B).

Chart A

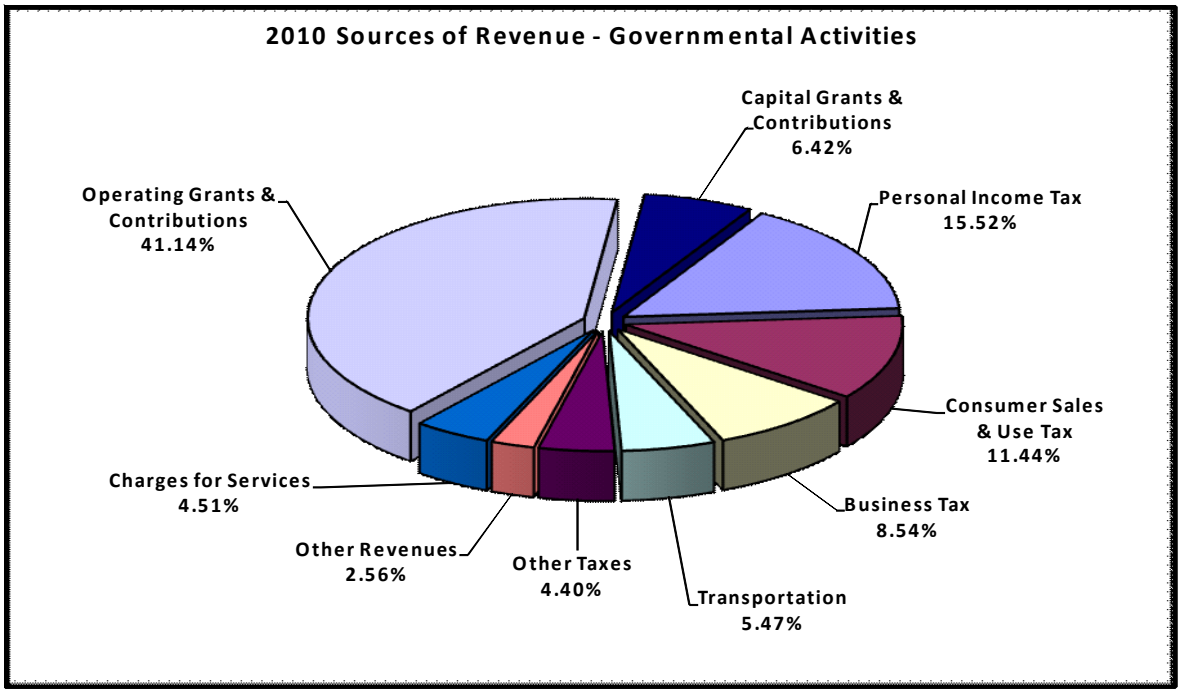
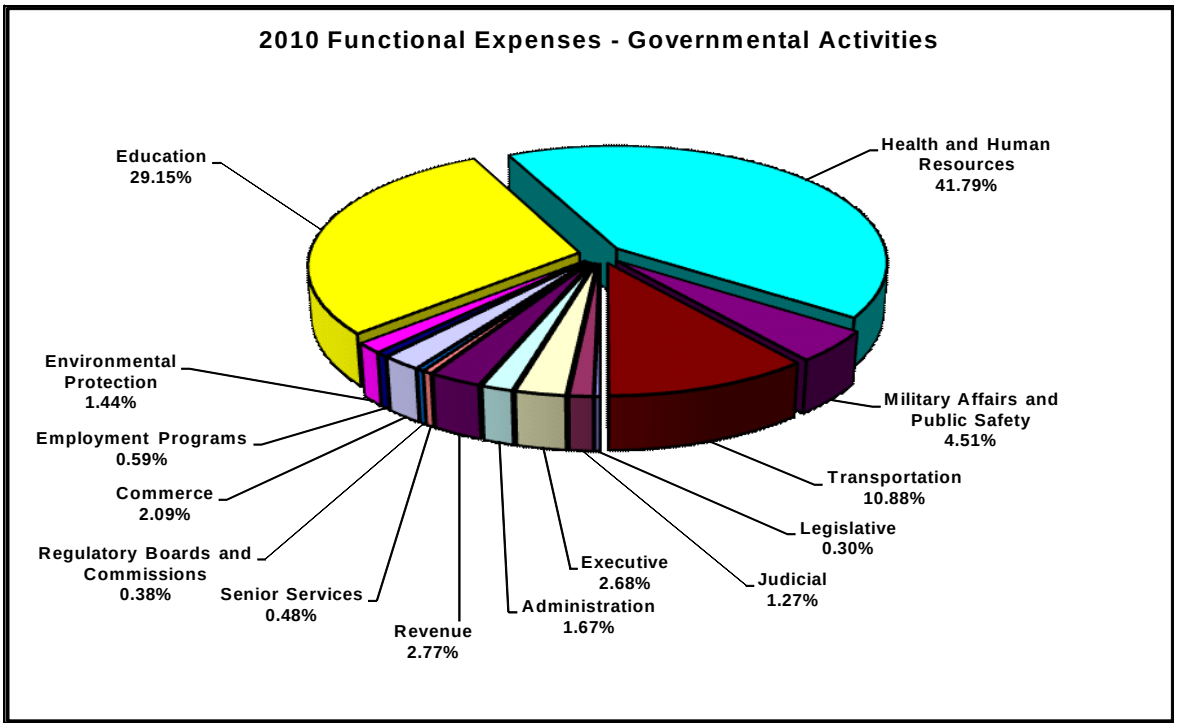

2010 Sources of Revenue - Governmental Activities
Capital Grants & Contributions 6.42%
Personal Income Tax 15.52%
Consumer Sales & Use Tax 11.44%
Business Tax 8.54%
Transportation 5.47%
Other Taxes 4.40%
Other Revenues 2.56%
Charges for Services 4.51%
Operating Grants & Contributions 41.14%

Chart B



Business-type Activities

Business-type activities increased the State's net assets by $495 million before transfers of $279 million to governmental activities. Significant contributors to this change were:

- The West Virginia Lottery gaming receipts exceeded expenses by approximately $589 million, a decrease of approximately $67 million from the prior year. The Lottery's revenues are transferred out to other funds, with the exception of $250,000 operating funds. Since FY 2006, the Lottery had been setting aside funds to construct a building. In June 2010, the Lottery purchased a building using the funds set aside since FY 2006. The excess funds that had been set aside amounted to $40 million and were distributed to the General Fund.

- The Workers' Compensation Fund's revenue stream remained stable while the payment stream declined as claim obligations, incurred prior to July 1, 2005, were satisfied. Principal payments of $43.5 million by BrickStreet Mutual Insurance Company paying off its surplus note and the net investment income of $129 million increased the net assets by a total of $205 million. In addition, an aggressive settlement program as part of the strategy to eliminate the WCF deficit was implemented in FY 2010. Full and final settlement agreements were executed in the amount of $37 million. This initiative is expected to continue in FY 2011.

- The Board of Risk and Insurance Management (BRIM) had billed premiums in excess of incurred claims, in the amount of $20 million. BRIM's net operating revenues decreased by $5 million. The lower premium revenue reflects the latent impact on rates of the improving loss development trends in the actuarially estimated reserves for prior years. The overall net decrease in claims and claims adjustment expense of $5 million is due to a lower provision for current year reserves in 2010. BRIM also had an increase of $18 million in investment returns.

- Public Employees' Insurance Agency (PEIA) had a $63 million increase in net assets resulting from an increase in premiums of $78 million, primarily achieved through increased policy rates, recovery of the market value of investments producing an improvement of $23 million and a reduction in operating expenses. The improvements were offset by increased claim costs and increased administrative fees.

- Unemployment Compensation recorded a loss before transfers of approximately $90 million, primarily due to the increased cost of unemployment benefits. West Virginia's unemployment has remained at 8.6% and contributions have remained stagnant and claims continue to increase.

- The management of the West Virginia Infrastructure and Jobs Development Council (WVIJDC) reclassified their special revenue fund, with net assets of approximately $583 million, as a Business-type Activity, due to the implementation of GASB Statement No. 54.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements.

At the end of the current fiscal year, the State's governmental funds reported an ending fund balance of $2.68 billion, a decrease of $669 million in comparison with the prior year. The major cause of the decrease was reclassifying the $705 million fund balance of the West Virginia Infrastructure and Jobs Development Council from the governmental funds. See Note 2 for additional information. Investment returns were $139 million higher and there was a decrease in tax revenues of $33 million. The decrease in tax revenue was offset by a federal revenue increase of $669 million, for a net increase in revenue of $774 million. Expenses were up by $648 million primarily due to the Executive, Health and Human Resources, and Revenue functions.

Governmental Fund Balances at June 30, 2010
(Expressed in Thousands)

	General Fund	Transportation	Tobacco Settlement Finance Authority
Nonspendable	$ 164,337	$ 38,632	$ —
Restricted	59,146	—	103,358
Unrestricted			
Committed	729,134	—	—
Assigned	59,661	23,121	—
Unassigned	270,221	180,285	687,649
Total	$1,282,499	$242,038	$791,007

The nonmajor governmental funds had a net decrease of approximately $27.5 million. The capital projects funds decreased approximately $39 million primarily due to completed road projects during the year by the Department of Transportation. The special revenue funds increased by a net $15 million primarily due to investment gains in the Wildlife Resources fund and an increase in Insurance Commission revenue. Restricted fund balance

is $165 million, available for debt service ($78 million), to fund capital projects ($28 million), $35 million for development, tourism and recreation, and $23 million for public protection. Committed fund balance is $198 million primarily for public protection.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $270 million, the assigned fund balance was $60 million, the committed was $729 million, the restricted was $59 million, and nonspendable was $164 million. Total fund balance reached $1.3 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.2% of total General Fund expenditures, while total fund balance represents 15.4% of the same amount.

Cash and investments in the General Fund were up $315 million, partially due to increased investment earnings of $136.6 million due to a better National economy and the impact on investment returns. Tax revenues were down in total approximately $40 million. Consumer sales and severance taxes were up a total of approximately $106 million, but were offset by personal and corporate net income and other miscellaneous taxes. Federal revenues were up $519 million, partially due to ARRA legislation.

Expenses for the executive function were up $110 million in 2010 primarily due to increased funding ARRA funding which subsidized County Boards of Education and colleges and universities. There were gains in enrollment as well as a shift in local/state funding due to legislation reducing the counties' share of the school aid formula and increasing the State's share.

DHHR expenses were up $289 million due to increases in eligibility and/or rates in numerous programs, including Medicaid, Food Stamps, Child Support, Adoption and Foster Care assistance, and TANF, partially due to ARRA legislation. DHHR also had health care cost increases, due to increases in rates and individuals served.

Transportation had an unassigned fund balance of $180 million and $23 million assigned fund balance, down approximately $23 million from 2009. The reserved fund balance of $39 million is inventory. Transportation revenues were up $72 million primarily due to the increase in federal aid revenues. Road maintenance and road operations expenses were the primary reason for the increased expenditures of $8 million.

The Tobacco Settlement Finance Authority's fund balance decreased by $23 million due to amortization of the deferred revenue. Required bond interest of $61 million was paid. An additional $10 million from the Master Settlement Agreement revenue was applied to reduce the principal.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of enterprise and internal service funds. Enterprise funds are used when services the State provides are charged to external customers. Internal service funds are used when services are provided to other state agencies. The seven major enterprise funds include the West Virginia Lottery, Water Pollution Control Revolving Fund, Workers' Compensation Funds, Unemployment Compensation, West Virginia Infrastructure and Jobs Development Council, Public Employees' Insurance Agency, and the Board of Risk and Insurance Management.

During FY 2010 according to legislation, the Alcohol Beverage Control Administration (ABCA) sold licenses with a term of 10 years to 175 stores providing non-operating revenues to the ABCA of approximately $37 million. Current licensees were given a purchase option and any licenses not purchased were sold through a bid process. ABCA transferred the money to the General Fund during the fiscal year.

Other factors concerning the finances of the major enterprise funds have already been addressed in the discussion of business-type activities.

GENERAL REVENUE FUND BUDGETARY HIGHLIGHTS

The revenues of the final amended budget did not change from the original. The general revenue fund budget to actual overall revenue variance was a negative $29.6 million. Although we had significant downturns in revenue collection in consumer sales tax ($48.3 million) and personal income taxes ($75 million) due to the recession, severance taxes grew by $112 million. The recession hit West Virginia later than most states, and income tax and consumer sales tax growth slowed dramatically. A significant surge in metallurgical coal exports in 2010 was a major boost for the coal industry and severance tax collections.

The positive variance of the excess of revenues over expenditures was approximately $78.6 million which resulted from cautious spending. After expenditures from prior year appropriations, $51.3 million was deposited into the State's Rainy Day Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the State had invested $8.8 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled $365 million.

Capital Assets at Year-End
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009 as Restated	2010	2009 as Restated	2010	2009 as Restated
Land and Improvements	$1,044,960	$1,007,286	$ 2,045	$ 611	$1,047,005	$1,007,897
Building and Improvements	662,090	622,045	21,123	1,052	683,213	623,097
Equipment	120,622	108,625	2,819	4,561	123,441	113,186
Library Holdings	1,208	1,279	—	—	1,208	1,279
Intangibles	30,379	20,222	5,441	6,080	35,820	26,302
Construction in Progress	1,185,984	1,123,944	—	—	1,185,984	1,123,944
Infrastructure	5,715,430	5,565,174	—	—	5,715,430	5,565,174
Totals	$8,760,673	$8,448,575	$31,428	$12,304	$8,792,101	$8,460,879

The total increase, net of disposals and accumulated depreciation, in the State's investment in capital assets for the current fiscal year approximated $331 million. The most significant changes in capital assets during the year were in the Transportation function. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Transportation had significant construction projects, resulting in net increases of $100 million in Infrastructure, $48.5 million in Construction in Progress, and $30 million in Land. The additional increase in Construction in Progress included construction of armory facilities ($22 million), State park facilities ($5 million), and Capital Complex improvements ($11 million) offset by the completion of a juvenile detention center ($18.5 million) and hospital renovations ($6 million). The juvenile detention center, the hospital renovations, and part of transportation's ($9 million) construction in progress were reclassed to buildings and improvements, and the Department of Administration bought an office building for $11 million. The West Virginia Lottery, in the business-type funds, also spent $20 million on an office building. Additional information concerning the State's capital assets can be found in Note 9 of this report and under the capital assets heading in Note 1.

Long-Term Debt

At year-end the State had $5.98 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, pension obligations, and other long-term obligations outstanding, as shown in the following table. The State's general obligation bonds are rated AA by Standard and Poor's Corporation and Fitch Investors Service. The Moody's Investors Service rating is Aa1.

More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of the general obligation debt. Revenue bonds are issued pursuant to specific statutory provisions enacted by the Legislature primarily for the purpose of financing capital construction. Neither the West Virginia Constitution nor its statutes establish a general limit on any type of debt, although certain agencies have debt limits in their specific Code sections.

Outstanding Debt at June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009 Restated	2010	2009 Restated	2010	2009 Restated
General Obligation Bonds	$ 622,928	$ 665,294	$ —	$ —	$ 622,928	$ 665,294
Revenue Bonds	1,243,106	1,284,819	118,612	120,826	1,361,718	1,405,645
Capital Leases	327,548	318,466	—	—	327,548	318,466
Notes Payable	8,595	4,310	—	—	8,595	4,310
Accrued and Other Liabilities	948,479	961,989	104,751	105,256	1,053,230	1,067,245
Insurance and Compensation Benefits	—	—	2,431,223	2,579,673	2,431,223	2,579,673
Compensated Absences	98,204	97,473	1,149	1,203	99,353	98,676
Pension Obligations	77,974	69,742	—	—	77,974	69,742
Totals	$3,326,834	$3,402,093	$2,655,735	$2,806,958	$5,982,569	$6,209,051

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General revenues are predicted to grow 2% above FY 2010 and Lottery revenues are expected to remain flat. Increases in coal prices and exports are expected to be offset by mine closings and a moderate loss of mining jobs. The mining sector was the last to enter the recession and will likely be one of the last sectors to emerge from the recession. More

mine closures and job losses are expected in the beginning of FY 2011, due to lower demand for coal-fired electricity, and more stringent environmental oversight of the mining permit process. Income tax collections and consumer sales tax are expected to be lower due to the decline in employment and lower business profits.

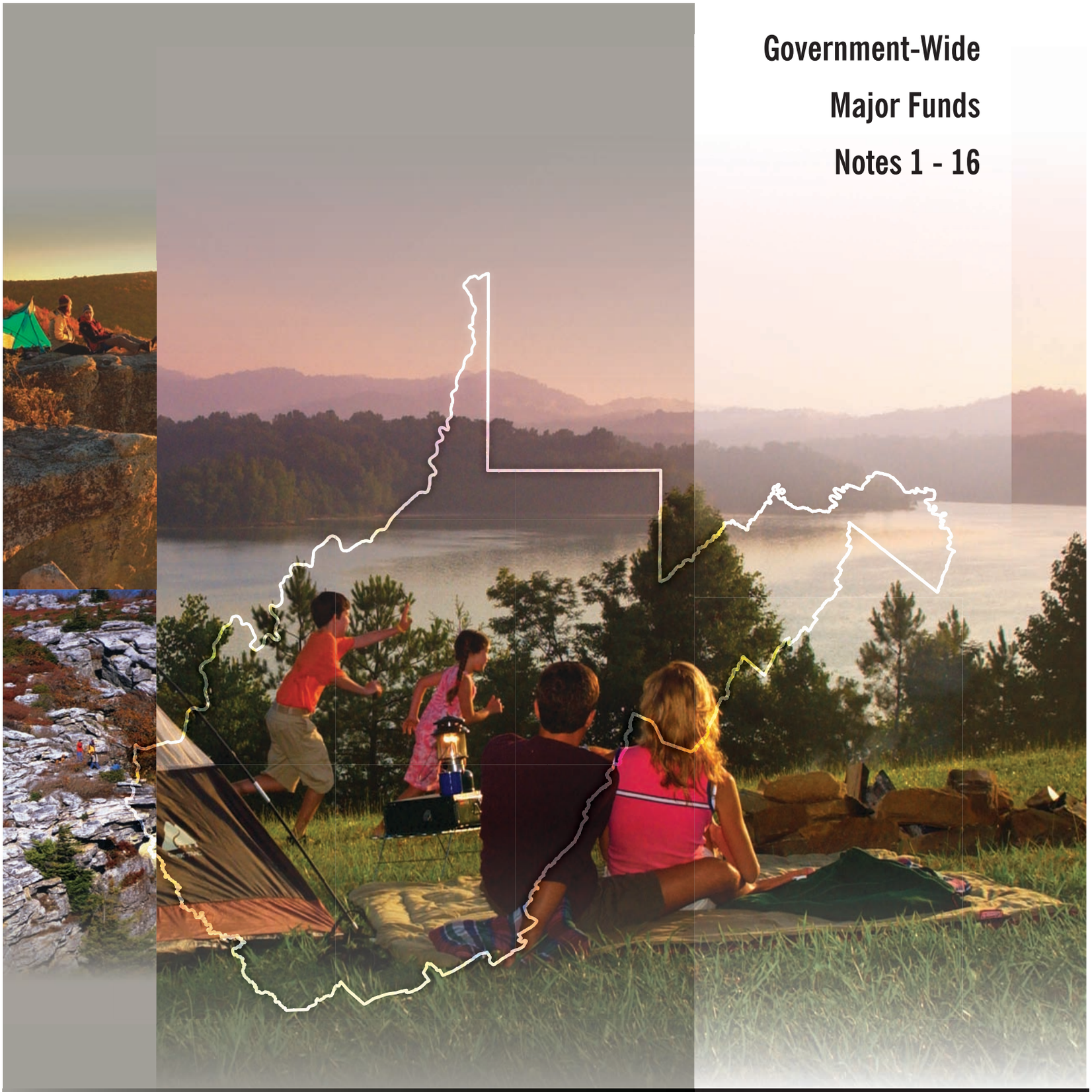
Major budget expenditure drivers for FY 2011 are a 4% increase in the employers' share of PEIA premiums and increased funding for the retirement systems due to the downturn in the national economy and the associated investment losses. The retirement funding alone accounts for $145 million of additional base building costs in FY 2011. The Public Employees' Retirement System (PERS) will require an estimated increase in the employer match of 6% of salary costs, approximately $20 million. The Teachers' Retirement System will require an additional funding of approximately $89 million to maintain the current amortization plan through 2034. The State Police retirement systems will require additional funding of approximately $14 million for Plan A and a 4.5% increase in the employers' match for Plan B.

The FY 2011 budget also includes additional funding for new employees in work release centers, work camps, and parole services to address issues related to prison overcrowding and for State Police longevity and career progression. Higher Education had statutory increases of approximately $9 million for PROMISE Scholarships, other grants, and costs associated with the decoupling of the community and technical schools from their universities. Federal stabilization funds will be used to offset any budget reductions that cause Higher Education institutions to fall below the funding levels of FY 2009. Due to anticipated decreases in General Revenues for FY 2011, agencies were asked to submit their FY 2011 budget requests at 95% (96% for Public Education) of their FY 2010 base budget appropriations. Federal stabilization funds and enhanced FMAP rates will backfill the reductions to education and Medicaid programs, allowing these programs to operate at current levels.

The FY 2011 budget includes a six-year plan showing the projected revenues and expenditures through FY 2015. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2011 budget, but also the larger implications of today's decisions on the State's future. Careful budgetary planning, with an eye on the future budget requirements, will continue to be a fundamental part of our approach to maintaining balanced budgets while providing necessary services.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Financial Accounting and Reporting Section, 2101 Washington St. East, Building 17, 3rd Floor, Charleston, WV 25305.



Government-Wide

Major Funds

Notes 1 - 16

Basic Financial Statements

Statement of Net Assets
June 30, 2010
(Expressed in Thousands)

	Primary Government			
Assets:	Governmental Activities	Business-type Activities	Total	Component Units
Current Assets:				
Cash and Cash Equivalents	$ 2,028,285	$1,895,351	$ 3,923,636	$ 822,867
Investments	752,160	103,733	855,893	145,524
Receivables, Net	683,763	170,215	853,978	131,409
Due from Other Governments	263,396	2,973	266,369	—
Due from Primary Government	—	—	—	28,358
Due from Fiduciary Funds	55	22,114	22,169	—
Due from Component Units	1,114	387	1,501	—
Internal Balances	249,453	(249,453)	—	—
Inventories	50,778	2,473	53,251	9,480
Other Assets	8,253	2,273	10,526	4,963
Restricted Assets:				
Cash and Cash Equivalents	4,000	13,991	17,991	186,820
Investments	—	—	—	30,774
Receivables, Net	—	522	522	5,899
Other Restricted Assets	—	184,926	184,926	—
Total Current Assets	4,041,257	2,149,505	6,190,762	1,366,094
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	104,041
Investments	—	302,898	302,898	333,968
Receivables, Net	8,298	916,056	924,354	309,507
Other Assets	5,458	1,000	6,458	46,694
Advance to Component Units	149,155	—	149,155	—
Net Pension Asset	873,849	—	873,849	—
Restricted Assets:				
Cash and Cash Equivalents	76,112	16,094	92,206	52,242
Investments	—	25,843	25,843	143,237
Receivables, Net	—	—	—	1,073,876
Other Restricted Assets	—	—	—	5,625
Land and Other Capital Assets Not Being Depreciated	2,220,440	2,045	2,222,485	278,727
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	6,540,233	29,383	6,569,616	2,444,923
Deferred Outflows	—	—	—	7,271
Total Noncurrent Assets	9,873,545	1,293,319	11,166,864	4,800,111
Total Assets	13,914,802	3,442,824	17,357,626	6,166,205
Liabilities:				
Current Liabilities:				
Accounts Payable	228,144	21,903	250,047	69,397
Interest Payable	5,088	—	5,088	13,601
Accrued Tuition Contract Benefits	—	12,590	12,590	—
Accrued and Other Liabilities	590,842	29,137	619,979	92,194
Due to Other Governments	160,325	3,699	164,024	—
Due to Primary Government	—	—	—	1,501
Due to Fiduciary Funds	405,676	3,213	408,889	129,720
Due to Component Units	25,852	2,506	28,358	—
Unearned Revenue	10,296	7,213	17,509	92,586
Insurance and Compensation Benefits Obligations	—	486,163	486,163	—
General Obligation Debt	48,887	—	48,887	—
Revenue Bonds Payable	55,444	2,294	57,738	313,304
Capital Leases and Other Debt	19,085	—	19,085	32,132
Compensated Absences	56,189	620	56,809	43,149
Total Current Liabilities	1,605,828	569,338	2,175,166	787,584

The accompanying notes are an integral part of the financial statements.

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	92,161	92,161	—
Accrued and Other Liabilities	357,637	—	357,637	119,018
Due to Other Governments	326	—	326	—
Unearned Revenue	—	—	—	2,972
Insurance and Compensation Benefits Obligations	—	1,945,060	1,945,060	—
Advances from Primary Government	—	—	—	149,155
Liabilities Payable from Restricted Assets	—	—	—	90,028
General Obligation Debt	574,041	—	574,041	—
Revenue Bonds Payable	1,187,662	116,318	1,303,980	2,098,355
Capital Leases and Other Debt	317,058	—	317,058	128,370
Net Pension Obligation	77,974	—	77,974	—
Compensated Absences	42,015	529	42,544	3,442
Fair Value of Hedging Derivative Instrument	—	—	—	7,271
Total Noncurrent Liabilities	2,556,713	2,154,068	4,710,781	2,598,611
Total Liabilities	4,162,541	2,723,406	6,885,947	3,386,195
Net Assets:				
Invested in Capital Assets, Net of Related Debt	7,909,484	31,428	7,940,912	1,676,125
Restricted for:				
Capital Projects	102,871	8,355	111,226	72,462
Debt Service	213,646	—	213,646	77,884
Government Operations	16,012	997	17,009	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	150,278
Expendable	393	—	393	—
Lending Activities	—	1,163,164	1,163,164	353,481
Insurance Activities	—	259,933	259,933	—
Development, Tourism, and Recreation	47,475	—	47,475	—
Education	3,203	—	3,203	—
Health and Social Services	9,962	—	9,962	—
Public Protection	40,734	—	40,734	—
Specific Fund/Component Unit Purposes	—	—	—	217,606
Unrestricted (Deficit)	1,407,481	(744,459)	663,022	232,174
Total Net Assets	$9,752,261	$ 719,418	$10,471,679	$2,780,010

Statement of Activities
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative	$ 28,896	$ 1,598	$ 2,135	$ —
Judicial	124,627	929	986	—
Executive	261,764	19,787	164,062	57,442
Administration	163,662	29,086	38,498	—
Commerce	204,178	46,009	59,632	—
Environmental Protection	141,279	49,450	121,366	—
Employment Programs	57,286	—	54,460	—
Education	2,850,805	3,352	452,315	—
Health and Human Resources	4,088,254	84,680	3,077,246	—
Military Affairs and Public Safety	441,068	10,352	74,472	18,758
Revenue	270,870	69,800	12	—
Transportation	1,064,417	100,533	—	558,947
Senior Services	46,671	1	20,614	—
Regulatory Boards and Commissions	36,917	30,407	2,014	—
Interest on Long-Term Debt	135,534	—	—	—
Total Governmental Activities	9,916,228	445,984	4,067,812	635,147
Business-type Activities:				
West Virginia Lottery	899,247	1,358,092	—	—
Water Pollution Control Revolving Fund	34,796	4,509	—	—
Workers' Compensation Fund	173,967	50,460	—	—
Unemployment Compensation	605,272	510,048	—	—
West Virginia Infrastructure and Jobs Development Council	22,882	2,756	—	—
Public Employees' Insurance Agency	437,496	481,060	—	—
Board of Risk and Insurance Management	35,614	51,613	—	—
Other Activities	97,089	97,846	—	—
Total Business-type Activities	2,306,363	2,556,384	—	—
Total Primary Government	$12,222,591	$3,002,368	$4,067,812	$635,147
Component Units:				
Economic Development Authority	$ 9,278	$ 9,513	$ —	$ —
Housing Development Authority	111,258	60,866	59,840	—
Parkways, Economic Development, and Tourism Authority	81,415	86,958	—	—
Water Development Authority	13,759	15,356	—	—
Higher Education	1,727,005	722,065	433,124	49,265
Regional Jail Authority	92,820	72,182	2,902	—
School Building Authority	115,085	—	2,981	—
Other Component Units	43,120	10,275	1,812	—
Total Component Units	$ 2,193,740	$ 977,215	$ 500,659	$ 49,265
General Revenues:				
Taxes:				
Personal Income				
Consumer Sales				
Business				
Medicaid				
Transportation				
Other				
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Tobacco Settlement Revenue				
Payments from State of West Virginia				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets, Beginning of Year, as Restated (see Note 2)				
Net Assets, End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (25,163)		$ (25,163)	
(122,712)		(122,712)	
(20,473)		(20,473)	
(96,078)		(96,078)	
(98,537)		(98,537)	
29,537		29,537	
(2,826)		(2,826)	
(2,395,138)		(2,395,138)	
(926,328)		(926,328)	
(337,486)		(337,486)	
(201,058)		(201,058)	
(404,937)		(404,937)	
(26,056)		(26,056)	
(4,496)		(4,496)	
(135,534)		(135,534)	
(4,767,285)		(4,767,285)	
—	$ 458,845	458,845	
—	(30,287)	(30,287)	
—	(123,507)	(123,507)	
—	(95,224)	(95,224)	
—	(20,126)	(20,126)	
—	43,564	43,564	
—	15,999	15,999	
—	757	757	
—	250,021	250,021	
(4,767,285)	250,021	(4,517,264)	
—	—	—	$ 235
—	—	—	9,448
—	—	—	5,543
—	—	—	1,597
—	—	—	(522,551)
—	—	—	(17,736)
—	—	—	(112,104)
—	—	—	(31,033)
—	—	—	(666,601)
1,534,970	—	1,534,970	—
1,131,075	—	1,131,075	—
844,405	—	844,405	—
157,693	—	157,693	—
541,023	—	541,023	—
277,811	—	277,811	—
—	—	—	650
89,635	190,159	279,794	40,002
66,199	—	66,199	—
—	—	—	599,808
97,791	54,718	152,509	23,442
279,309	(279,309)	—	—
5,019,911	(34,432)	4,985,479	663,902
252,626	215,589	468,215	(2,699)
9,499,635	503,829	10,003,464	2,782,709
$ 9,752,261	$ 719,418	$10,471,679	$2,780,010

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Major Funds

General This fund is used as the State's operating fund. It accounts for the financial resources and transactions that are not accounted for in other funds. The revenues are from taxes and other general revenues.

Transportation The governmental fund types of the Department of Transportation (the Department) are included in this Fund. The Division of Highways has statutory responsibility for the construction, maintenance, and improvement of all state roads. Transportation expenditures funded by registration fees, license fees, and automobile privilege taxes (fees and taxes) are recorded in the State Road Fund within the Division of Highways. These fees and taxes, among other revenue sources, are collected by the Division of Motor Vehicles, which is also in the Department. The Department also includes the Division of Public Transit, which administers all federal and state programs that develop public transportation facilities, services, equipment, and methods; the West Virginia Aeronautics Commission, which has general supervision and controls commercial, state, and municipal airports; and the West Virginia Public Port Authority.

The Tobacco Settlement Finance Authority The Authority was created to issue revenue bonds related to the State's portion of the tobacco receipts from the Master Settlement Agreement between tobacco manufacturers and the covered states. The revenue bonds were sold June 26, 2007. See Note 10 for more information.

Nonmajor governmental funds are presented, by fund type, beginning on page 184.

Balance Sheet
Governmental Funds
June 30, 2010
(Expressed in Thousands)

	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
Assets:					
Cash and Cash Equivalents	$1,426,372	$205,162	$ 32,177	$349,193	$2,012,904
Investments	627,115	—	71,181	53,864	752,160
Receivables, Net	495,359	137,235	37,319	8,866	678,779
Due from Other Governments	262,890	—	—	506	263,396
Due from Other Funds	256,537	286	687,649	1,224	945,696
Due from Component Units	815	59	—	1	875
Advances to Component Units	149,155	—	—	—	149,155
Inventories	11,426	38,632	—	44	50,102
Other Assets	1,170	521	—	—	1,691
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	1,934	1,934
Total Assets	$3,230,839	$381,895	$828,326	$415,632	$4,856,692
Liabilities:					
Accounts Payable	$ 146,278	$ 54,990	$ —	$ 13,314	$ 214,582
Accrued and Other Liabilities	535,410	19,656	—	9,227	564,293
Deferred Revenue	73,792	—	37,319	—	111,111
Due to Other Governments	145,265	2,955	—	12,295	160,515
Due to Other Funds	1,021,842	62,225	—	18,931	1,102,998
Due to Component Units	25,753	31	—	37	25,821
Total Liabilities	1,948,340	139,857	37,319	53,804	2,179,320
Fund Balances:					
Nonspendable:					
Inventories	11,426	38,632	—	44	50,102
Permanent Fund	—	—	—	1,000	1,000
Loans Receivable	152,911	—	—	—	152,911
Restricted for:					
Capital Projects	—	—	—	28,283	28,283
Debt Service	—	—	103,358	78,057	181,415
Government Operations	16,012	—	—	—	16,012
Development, Tourism, and Recreation	12,598	—	—	34,877	47,475
Education	3,203	—	—	393	3,596
Health and Social Services	9,962	—	—	—	9,962
Public Protection	17,371	—	—	23,363	40,734
Committed to:					
Government Operations	413,657	—	—	6,764	420,421
Development, Tourism, and Recreation	46,104	—	—	—	46,104
Education	21,417	—	—	—	21,417
Health and Social Services	227,265	—	—	—	227,265
Public Protection	20,691	—	—	191,383	212,074
Assigned to:					
Government Operations	21,227	—	—	—	21,227
Development, Tourism, and Recreation	3,368	—	—	—	3,368
Education	2,543	—	—	—	2,543
Health and Social Services	28,296	—	—	649	28,945
Public Protection	4,227	—	—	2,568	6,795
Transporation	—	23,121	—	—	23,121
Unassigned	270,221	180,285	687,649	(5,553)	1,132,602
Total Fund Balances	1,282,499	242,038	791,007	361,828	2,677,372
Total Liabilities and Fund Balances	$3,230,839	$381,895	$828,326	$415,632	$4,856,692

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010
(Expressed in Thousands)

Total Fund Balances - Governmental Funds		$ 2,677,372
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets (excluding Internal Service Funds) consist of:		
Land	$ 1,021,538	
Construction in Progress	1,172,199	
Infrastructure Assets	10,177,218	
Buildings, Equipment, and Other Depreciable Assets	1,299,677	
Intangibles	19,641	
Accumulated Depreciation	(5,051,954)	
Total Capital Assets		8,638,319
The Net Pension Asset is not recognized at the fund level.		873,849
Certain tax and other revenues are earned but not available and therefore are deferred in the funds.		75,483
Internal service funds are used by management to charge the costs of certain activities, such as building rental and information services, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net assets.		177,443
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		11,747
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities (excluding Internal Service Funds) consist of:		
General Obligation Bonds	(622,928)	
Revenue Bonds	(1,243,106)	
Capital Leases	(306,158)	
Compensated Absences	(96,549)	
Net Pension Obligations	(77,974)	
Accrued Interest Payable and Other Liabilities	(355,237)	
Total Long-Term Liabilities		(2,701,952)
Net Assets of Governmental Activities		$ 9,752,261

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

Revenues:	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
Taxes:					
Personal Income	$1,531,867	$ —	$ —	$ —	$ 1,531,867
Consumer Sales and Use	1,132,951	—	—	—	1,132,951
Severance	530,940	—	—	—	530,940
Corporate Net Income	227,693	—	—	—	227,693
Business and Occupation	133,245	—	—	—	133,245
Medicaid	157,693	—	—	—	157,693
Gasoline and Motor Carrier	—	393,557	—	—	393,557
Automobile Privilege	—	147,466	—	—	147,466
Other	275,415	4,029	—	—	279,444
Intergovernmental	3,382,745	531,356	—	201,576	4,115,677
Licenses, Permits, and Fees	88,777	5,793	—	119,723	214,293
Motor Vehicle Registration	—	91,902	—	—	91,902
Charges for Services	135,910	—	—	4	135,914
Food Stamp Revenue	478,622	—	—	—	478,622
Investment Earnings	90,697	518	3,910	4,986	100,111
Other	84,833	25,530	66,494	8,078	184,935
Total Revenues	8,251,388	1,200,151	70,404	334,367	9,856,310
Expenditures:					
Current:					
Legislative	25,891	—	—	3,131	29,022
Judicial	125,184	—	—	—	125,184
Executive	256,364	—	—	—	256,364
Administration	114,939	—	21	12	114,972
Commerce	223,569	—	—	—	223,569
Environmental Protection	7,668	—	—	141,314	148,982
Employment Programs	—	—	—	60,483	60,483
Education	2,773,160	—	—	—	2,773,160
Health and Human Resources	4,056,559	—	—	14	4,056,573
Military Affairs and Public Safety	462,145	—	—	18	462,163
Revenue	232,691	—	—	30,736	263,427
Transportation	2,444	752,042	—	—	754,486
Senior Services	46,727	—	—	—	46,727
Regulatory Boards and Commissions	13,120	—	—	24,041	37,161
Capital Outlay	—	473,000	—	48,480	521,480
Debt Service:					
Principal	—	31,590	10,070	62,075	103,735
Interest	—	18,388	60,677	44,605	123,670
Total Expenditures	8,340,461	1,275,020	70,768	414,909	10,101,158
Deficiency of Revenues Under Expenditures	(89,073)	(74,869)	(364)	(80,542)	(244,848)
Other Financing Sources (Uses):					
Capital Lease Acquisition	1,490	—	—	11,015	12,505
Transfers In	522,635	50,246	—	81,459	654,340
Transfers Out	(320,120)	(1,140)	(22,518)	(39,486)	(383,264)
Total Other Financing Sources (Uses)	204,005	49,106	(22,518)	52,988	283,581
Net Change in Fund Balance	114,932	(25,763)	(22,882)	(27,554)	38,733
Fund Balances, Beginning of Year, as Restated	1,167,567	267,801	813,889	389,382	2,638,639
Fund Balances, End of Year	$1,282,499	$ 242,038	$791,007	$361,828	$ 2,677,372

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 38,733
Restatement of beginning net assets due to adoption of GASB 51		(13,712)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 637,939	
Depreciation Expense	(329,599)	
Excess of Capital Outlay Over Depreciation Expense		308,340
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		(12,505)
Amortization of other assets and bond discount associated with long-term debt obligations do not effect current financial resources and are not reported in the governmental funds.		(11,764)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. For the current year these amounts consist of:		
Bond Principal Retirement	93,250	
Capital Lease Payments	13,959	
Total Long-Term Debt Repayment		107,209
Internal service funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of State moneys, to individual funds. The net increase in net assets of the internal service funds is reported with governmental activities.		(14,891)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unearned revenues decreased by this amount this year.		(50,195)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease of Accrued Interest	(853)	
Decrease of Compensated Absences	(637)	
Decrease of Accrued and Other Liabilities	(7,806)	
Increase of Net Pension Asset	(92,136)	
Amortization of Bond Premiums/Discounts and Issuance Costs	2,843	
Total Change in Expenditures		(98,589)
Change in Net Assets of Governmental Activities		$252,626

The accompanying notes are an integral part of the financial statements.

STATE OF WEST VIRGINIA
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PROPRIETARY FUNDS FINANCIAL STATEMENTS

Major Funds

West Virginia Lottery The West Virginia Lottery's responsibilities include the distribution and sale of lottery tickets and the awarding of prizes. The West Virginia Lottery accounts for lottery ticket revenues, administrative and operating expenses, and distribution of net revenue to the General Fund.

Water Pollution Control Revolving Fund (Water Pollution) Low interest loans are made to communities that need to upgrade an existing waste water system, establishing a new utility or cleaning up the State's water supply. The Fund is to remain in perpetuity by recirculating the principal and interest earned from the loans.

Workers' Compensation Fund On December 31, 2005, the Workers' Compensation Commission (WCC) ceased to exist as a separate state entity. The WCC's regulatory powers transferred to the Offices of the Insurance Commissioner along with the residual assets and liabilities of the former WCC. Disbursements from the State's workers' compensation fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claim with a date of injury on or before June 30, 2005.

Unemployment Compensation The Fund is administered by the Bureau of Employment Programs doing business as WORKFORCE West Virginia. The Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers under provisions of the Federal Unemployment Tax Act.

West Virginia Infrastructure and Jobs Development Council The Council coordinates the review and funding of water, wastewater, and economic development projects in the State. The proceeds from the Council's bond programs provide financial assistance to infrastructure and economic development projects throughout the State. The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds.

Public Employees' Insurance Agency The Agency, a public entity risk pool, is responsible for providing health and life insurance to current and retired state and county employees. The Agency, empowered to set the premium rates charged to its participants, utilizes a third-party administrator to process claims and make payments to doctors and hospitals on a cost reimbursement basis.

Board of Risk and Insurance Management The Board, a public entity risk pool, is responsible for the self-insurance of all state buildings, automobiles, and legal and civil actions, as well as insuring various county and local governments and charitable organizations. The Board is funded from the premiums assessed to the organizations it insures.

Nonmajor proprietary funds are presented beginning on page 204.

Statement of Net Assets
Proprietary Funds
June 30, 2010
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
Assets:	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Current Assets:				
Cash and Cash Equivalents	$256,355	$ 91,165	$ 1,153,890	$ 95,538
Investments	—	—	—	—
Receivables, Net	26,984	24,312	20,769	53,867
Due from Other Governments	—	—	—	2,973
Due from Other Funds	2	49	—	380
Due from Component Units	—	—	—	210
Inventories	683	—	—	—
Other Assets	2,273	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	286,297	115,526	1,174,659	152,968
Noncurrent Assets:				
Investments	—	—	—	—
Receivables, Net	—	417,966	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	8,355	—	—	—
Investments	—	—	—	—
Capital Assets, Net	23,349	—	—	—
Total Noncurrent Assets	31,704	417,966	—	—
Total Assets	318,001	533,492	1,174,659	152,968
Liabilities:				
Current Liabilities:				
Accounts Payable	16,094	18	—	—
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	22,415	—	1,072	1,225
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	—	3,699
Due to Other Funds	242,608	341	448	—
Due to Component Units	—	—	—	—
Insurance and Compensation Benefits Obligations	—	—	332,500	42,951
Revenue Bonds Payable	—	—	—	—
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	501	86	—	—
Total Current Liabilities	281,618	445	334,020	47,875
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	—	1,847,600	—
Revenue Bonds Payable	—	—	—	—
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	—	54	—	—
Total Noncurrent Liabilities	—	54	1,847,600	—
Total Liabilities	281,618	499	2,181,620	47,875
Net Assets:				
Invested in Capital Assets, Net of Related Debt	23,349	—	—	—
Restricted for:				
Capital Projects	8,355	—	—	—
Government Operations	—	—	—	—
Lending Activities	—	532,993	—	—
Insurance Activities	—	—	104,067	105,093
Unrestricted (Deficit)	4,679	—	(1,111,028)	—
Total Net Assets (Deficit)	$ 36,383	$532,993	$ (1,006,961)	$105,093

The accompanying notes are an integral part of the financial statements.

West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$168,066	$ 58,629	$ 15,622	$ 56,086	$ 1,895,351	$ 15,381
103,733	—	—	—	103,733	—
17,989	21,282	824	4,188	170,215	4,984
—	—	—	—	2,973	—
—	26,742	3	1,651	28,827	7,322
—	123	—	54	387	239
—	—	—	1,790	2,473	676
—	—	—	—	2,273	245
—	—	13,991	—	13,991	3,591
—	—	522	—	522	—
—	—	184,926	—	184,926	—
289,788	106,776	215,888	63,769	2,405,671	32,438
—	131,127	94,488	77,283	302,898	—
431,352	—	—	66,738	916,056	—
1,000	—	—	—	1,000	28
—	7,739	—	—	16,094	74,587
—	—	25,843	—	25,843	—
—	5,760	—	2,319	31,428	122,354
432,352	144,626	120,331	146,340	1,293,319	196,969
722,140	251,402	336,219	210,109	3,698,990	229,407
47	1,169	1,218	3,357	21,903	13,562
—	—	—	12,590	12,590	—
1,401	2,420	476	128	29,137	407
—	584	6,629	—	7,213	—
—	—	—	—	3,699	136
—	970	195	14,817	259,379	6,188
2,045	461	—	—	2,506	31
—	64,455	45,707	550	486,163	—
2,294	—	—	—	2,294	—
—	—	—	—	—	7,750
—	—	—	33	620	—
5,787	70,059	54,225	31,475	825,504	28,074
—	—	—	92,161	92,161	—
—	7,739	89,721	—	1,945,060	—
116,318	—	—	—	116,318	—
—	—	—	—	—	22,235
—	—	66	409	529	1,655
116,318	7,739	89,787	92,570	2,154,068	23,890
122,105	77,798	144,012	124,045	2,979,572	51,964
—	5,760	—	2,319	31,428	93,588
—	—	—	—	8,355	74,588
—	—	—	997	997	—
543,736	—	—	86,435	1,163,164	—
—	—	38,420	12,353	259,933	—
56,299	167,844	153,787	(16,040)	(744,459)	9,267
$600,035	$173,604	$192,207	$ 86,064	$ 719,418	$177,443

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Operating Revenues:				
Charges for Services and Sales	$ —	$ —	$ —	$510,044
Lottery Games	1,358,094	—	—	—
Insurance Premiums	—	—	50,614	—
Tuition Contracts	—	—	—	—
Interest on Loans	—	2,559	—	—
Licenses, Permits, and Fees	—	1,950	—	—
Other	11,059	—	93	—
Total Operating Revenues	1,369,153	4,509	50,707	510,044
Operating Expenses:				
Cost of Sales and Services	637,163	—	—	—
Lottery Prizes	107,983	—	—	—
Insurance Claims and Claims Adjustment Provisions	—	—	153,828	—
Tuition Contract Benefits and Expenses	—	—	—	—
Infrastructure and Economic Development	—	—	—	—
General and Administration	18,049	1,830	20,211	—
Depreciation and Amortization	1,840	—	—	—
Provisions for Uncollectible Loans	—	—	—	—
Other	15,093	32,959	—	605,274
Total Operating Expenses	780,128	34,789	174,039	605,274
Operating Income (Loss)	589,025	(30,280)	(123,332)	(95,230)
Nonoperating Revenues (Expenses):				
Loss on Sale of Equipment	—	—	—	—
Interest and Other Investment Income	390	130	129,932	5,678
Interest Expense	—	—	—	—
Other Nonoperating Revenues	—	—	—	—
Other Nonoperating Expenses	(119,172)	(7)	—	—
Total Nonoperating Revenues (Expenses), Net	(118,782)	123	129,932	5,678
Income (Loss) Before Transfers	470,243	(30,157)	6,600	(89,552)
Transfers:				
Transfers In	—	36,286	198,410	—
Transfers Out	(517,048)	—	—	(1,202)
Total Transfers	(517,048)	36,286	198,410	(1,202)
Change in Net Assets	(46,805)	6,129	205,010	(90,754)
Net Assets (Deficit), Beginning of Year, as Restated	83,188	526,864	(1,211,971)	195,847
Net Assets (Deficit), End of Year	$ 36,383	$532,993	$(1,006,961)	$105,093

The accompanying notes are an integral part of the financial statements.

West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$ 2,756	$ —	$ —	$ 94,374	$ 607,174	$ 88,246
—	—	—	—	1,358,094	—
—	481,184	51,750	—	583,548	—
—	—	—	(43)	(43)	—
—	—	—	—	2,559	—
—	—	—	3,538	5,488	—
—	4,742	—	1,000	16,894	—
2,756	485,926	51,750	98,869	2,573,714	88,246
—	—	—	66,157	703,320	90,386
—	—	—	—	107,983	—
—	412,334	31,668	4,238	602,068	—
—	—	—	8,165	8,165	—
13,060	—	—	—	13,060	—
1,467	15,971	3,946	10,931	72,405	6,862
—	1,806	—	279	3,925	14,542
2,635	—	—	—	2,635	—
—	7,567	—	7,445	668,338	—
17,162	437,678	35,614	97,215	2,181,899	111,790
(14,406)	48,248	16,136	1,654	391,815	(23,544)
—	—	—	(65)	(65)	336
460	16,124	25,113	12,332	190,159	16
(5,720)	—	—	—	(5,720)	(417)
—	—	—	37,889	37,889	485
—	—	—	(1)	(119,180)	—
(5,260)	16,124	25,113	50,155	103,083	420
(19,666)	64,372	41,249	51,809	494,898	(23,124)
40,454	—	—	17,326	292,476	13,536
(3,751)	—	—	(49,784)	(571,785)	(5,303)
36,703	—	—	(32,458)	(279,309)	8,233
17,037	64,372	41,249	19,351	215,589	(14,891)
582,998	109,232	150,958	66,713	503,829	192,334
$600,035	$173,604	$192,207	$ 86,064	$ 719,418	$177,443

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Cash Flows from Operating Activities:				
Receipts from Customers	$1,375,478	$ 27,457	$ 49,884	$ 287,418
Payments to Suppliers	(13,567)	—	(19,460)	—
Payments to Employees	(9,636)	(1,244)	—	—
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	—	(35,916)	—	—
Payments to Claimants	—	—	(289,559)	(607,883)
Other Operating Cash Receipts	—	—	398	218,353
Other Operating Cash Payments	(760,068)	(33,325)	—	—
Net Cash Provided by (Used for) Operating Activities	592,207	(43,028)	(258,737)	(102,112)
Cash Flows from Noncapital Financing Activities:				
Financing Earnings	—	—	—	—
Repayment of Operating Debt	—	—	—	—
Interest Paid on Operating Debt	—	—	—	—
Transfers In	—	2,121	198,410	—
Transfers Out	(577,610)	—	—	(1,202)
Distributions or Subsidies to Other Organizations	(23,619)	—	—	—
Liquor License Renewals	—	—	—	—
Net Cash Provided by (Used for) Noncapital Financing Activities	(601,229)	2,121	198,410	(1,202)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Capital Bonds and Other Debts	—	—	—	—
Repayment of Capital Debt	—	—	—	—
Interest Paid on Capital Debt	—	—	—	—
Acquisition and Construction of Capital Assets	(21,883)	—	—	—
Proceeds from Sale of Capital Assets	—	—	—	—
Capital Grants	—	34,165	—	—
Net Cash Provided by (Used for) Capital and Related Financing Activities	(21,883)	34,165	—	—
Cash Flows from Investing Activities:				
Purchase of Investments	—	—	—	—
Proceeds from Sale of Investments	—	—	—	—
Investment Earnings	390	130	129,932	5,678
BrickStreet Notes Receivable Payment	—	—	43,500	—
Net Cash Provided by (Used for) Investing Activities	390	130	173,432	5,678
Net Increase (Decrease) in Cash and Cash Equivalents	(30,515)	(6,612)	113,105	(97,636)
Cash and Cash Equivalents, Beginning of Year, as Restated	295,225	97,777	1,040,785	193,174
Cash and Cash Equivalents, End of Year	$ 264,710	$ 91,165	$1,153,890	$ 95,538

The accompanying notes are an integral part of the financial statements.

West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$ 16,784	$ 494,922	$ 50,710	$101,725	$2,404,378	$ 89,047
—	(26,216)	(2,487)	(73,435)	(135,165)	(72,136)
(4)	(1,497)	(1,349)	(7,656)	(21,386)	(22,596)
—	(432,536)	(48,975)	(8,669)	(490,180)	—
(60,506)	—	—	(20,755)	(117,177)	—
—	—	—	—	(897,442)	—
—	12,607	—	738	232,096	—
—	—	(10,712)	(548)	(804,653)	—
(43,726)	47,280	(12,813)	(8,600)	170,471	(5,685)
—	—	32	—	32	—
(2,353)	—	—	—	(2,353)	—
(5,643)	—	—	—	(5,643)	—
40,454	—	—	17,376	258,361	13,536
—	—	—	(35,799)	(614,611)	(5,303)
—	(23,643)	—	—	(47,262)	—
—	—	—	35,759	35,759	—
32,458	(23,643)	32	17,336	(375,717)	8,233
—	—	—	—	—	6,641
—	—	—	—	—	(8,967)
—	—	—	—	—	(415)
—	(1,071)	—	(163)	(23,117)	(17,627)
—	—	—	—	—	771
—	—	—	—	34,165	—
—	(1,071)	—	(163)	11,048	(19,597)
(97,974)	(41,417)	(37,300)	(912)	(177,603)	(400)
—	38,868	35,135	8,200	82,203	400
480	2,618	12,378	921	152,527	15
—	—	—	—	43,500	—
(97,494)	69	10,213	8,209	100,627	15
(108,762)	22,635	(2,568)	16,782	(93,571)	(17,034)
276,828	43,733	32,181	39,304	2,019,007	110,593
$ 168,066	$ 66,368	$ 29,613	$ 56,086	$1,925,436	$ 93,559

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)
(Continued)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$589,025	$(30,280)	$(123,332)	$ (95,230)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	1,840	—	—	—
Provisions for Uncollectible Loans	—	—	—	—
Changes in Assets and Liabilities:				
Receivables	6,325	(12,983)	(823)	(3,360)
Inventories	(35)	—	—	—
Other Assets	282	—	—	—
Accounts Payable and Accrued Liabilities	1,524	(1)	(135,800)	(3,533)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	—	237	—	11
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	(6,754)	—	1,218	—
Compensated Absences	—	(1)	—	—
Net Cash Provided by (Used for) Operating Activities	$592,207	$(43,028)	$(258,737)	$(102,112)
Schedule of Noncash Capital and Financing Activities:				
Incurred Capital Leases	$ —	$ —	$ —	$ —
Unrealized Gain on Investments	—	—	—	—

The accompanying notes are an integral part of the financial statements.

West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$(14,406)	$ 48,248	$ 16,136	$ 1,654	$ 391,815	$(23,544)
—	1,806	—	279	3,925	14,542
2,635	—	—	—	2,635	—
(29,647)	7,919	(434)	(9,813)	(42,816)	800
—	—	—	(364)	(399)	(39)
—	—	—	—	282	(57)
(3,771)	6,391	—	(487)	(135,677)	(185)
—	—	—	(505)	(505)	—
—	(746)	(606)	—	(1,352)	—
—	—	(10,711)	—	(10,711)	—
1,463	314	—	598	2,623	—
—	—	(17,305)	—	(17,305)	—
—	(16,652)	107	—	(22,081)	2,798
—	—	—	38	37	—
$(43,726)	$ 47,280	$(12,813)	$(8,600)	$ 170,471	$ (5,685)
$ —	$ —	$ —	$ —	$ —	$ 15,116
—	13,506	12,705	11,280	37,491	—

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Private Purpose Trust Fund This fund type is used to report a trust arrangement under which principal and income benefit individuals.

SMART 529 The West Virginia College Savings Program (the Program) operates under the West Virginia State Code Chapter 18, Article 30, and is administered by the Office of the State Treasurer under the direction of the Program's Board. All funds paid into or invested through the Program will be available for use at any two-year or four-year college or university in the country, with refund and transfer options available. Since the Program is an Internal Revenue Service Section 529 Qualified State Tuition Program, earnings on the funds are federally tax deferred until used for college.

The individual Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, and Agency Funds descriptions and financial statements begin on page 210.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	SMART 529	Agency Funds
Assets:				
Cash and Cash Equivalents	$ 224,971	$251,021	$ —	$56,464
Investments:				
Equity Pooled Investments	8,686,181	—	—	—
Mutual Funds	251,966	—	1,194,457	—
Receivables, Net:				
Contributions	41,961	—	2,236	—
Participant Loans	11,838	—	—	—
Accrued Interest	—	—	—	5
Accounts	1,123	—	—	—
Due from Other Funds	184,198	—	—	—
Due from Component Units	259	—	—	—
Total Assets	9,402,497	251,021	1,196,693	$56,469
Liabilities:				
Accounts Payable	—	—	2,052	$ 7
Accrued and Other Liabilities	1,792	—	21	—
Due to Other Governments	—	—	—	3,110
Due to Other Funds	22,169	—	—	—
Insurance Claims Payable	9,590	—	—	—
Agency Liabilities	—	—	—	53,352
Total Liabilities	33,551	—	2,073	$56,469
Net Assets:				
Held in trust for:				
Pension Benefits	8,946,311	—	—	
Other Postemployment Benefits	422,635	—	—	
External Investment Pool Participants	—	251,021	—	
Individuals and Organizations	—	—	1,194,620	
Total Net Assets	$9,368,946	$251,021	$1,194,620	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	SMART 529
Additions:			
Contributions:			
Members	$ 240,734	$ —	$ —
Employer	891,790	—	—
Account Holder Contributions	—	—	303,198
Deposits, Pool Participants	—	732,125	—
Total Contributions	1,132,524	732,125	303,198
Investment Income:			
Net Appreciation in Fair Value of Investments	1,156,633	347	105,197
Interest	64,680	—	16,563
Investment Expense	(24,108)	—	(4,248)
Net Investment Income	1,197,205	347	117,512
Other	53,541	—	—
Total Additions	2,383,270	732,472	420,710
Deductions:			
Benefits Expense	991,425	—	—
Payments in Accordance with Trust Agreements	—	—	201,806
Refunds of Contributions	22,888	—	—
Withdrawals	—	743,740	—
Administrative Expenses	15,122	—	3,192
Total Deductions	1,029,435	743,740	204,998
Change in Net Assets Held in Trust For:			
Pension Benefits	1,328,614	—	—
Other Postemployment Benefits	25,221	—	—
External Investment Pool Participants	—	(11,268)	—
Individuals and Organizations	—	—	215,712
Net Assets, Beginning of Year	8,015,111	262,289	978,908
Net Assets, End of Year	$9,368,946	$251,021	$1,194,620

The accompanying notes are an integral part of the financial statements.

STATE OF WEST VIRGINIA
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DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

Economic Development Authority The Authority, responsible for developing and advancing the business prosperity and economic welfare of the State, is authorized to make loans and enter into direct financing and operating leases with industrial development agencies for the promotion and retention of new and existing commercial and industrial development. The Authority is empowered to borrow money and issue bonds, notes, commercial paper, and other debt instruments to furnish money for the enhancement of business development projects, and additionally maintains the discretionary ability to set loan terms and interest rates.

Housing Development Fund The Fund is responsible for providing residential housing programs for low and moderate income families, elderly persons, and other eligible persons and families, as well as financing certain nonresidential projects. The Fund is empowered to issue bonds payable from mortgage payments and to issue general obligation bonds payable from other assets. The bonds of the Housing Development Fund do not constitute debt of the State.

Parkways, Economic Development, and Tourism Authority The Authority is responsible for operation and maintenance of the State's turnpike and economic development and tourism projects approved by the Department of Transportation. The Authority is empowered to issue Parkway revenue refunding bonds and set rates for crossing the turnpike. The State has discretionary authority to reappropriate any surplus from the Authority.

Water Development Authority The Authority is responsible for assisting in the preservation, protection, improvement, and management of the State's water resources. The Authority oversees a loan pool program which provides low-interest financing to local governments for water and wastewater projects. The Authority issues bonds to fund the loan pool and uses the proceeds to purchase local government revenue bonds. The revenue bonds are payable solely from the revenues of the projects.

West Virginia Higher Education Fund The Fund is responsible for providing the delivery of postsecondary education, which is competitive, affordable, and has the capacity to deliver the programs and services necessary to meet the regional and statewide needs of young people and working-age adults. The focus and collaboration of the institutions within the Fund are to create a system of higher education that is equipped to increase the competitiveness and to diversify and to expand the State's workforce by increasing the number of college degrees produced. The Fund obtains revenues from state and federal student aid programs; tuition and fees; state and federal appropriations; sales and services of educational activities and auxiliary enterprises; federal, state, local, and nongovernmental grants and contracts; and gifts and contributions.

Regional Jail and Correctional Facility Authority The Authority is responsible for replacing individual county jails with regional jails. Along with the state correctional institutions, the Regional Jail Authority is part of the consolidated penal system of this State. Although the construction of additional jails is ongoing, the operating focus has become the confinement of prisoners and existing jail operations. A majority of the operations, as well as a majority of the debt service, are financed by per diem fees for prisoners and court fees rather than appropriations from the State. No bonds or other obligations may be issued until the Legislature has approved the purpose and amount of each project.

School Building Authority The Authority's responsibilities include providing state funds for the acquisition and construction of elementary and secondary public school facilities in order to satisfy the educational needs of the State's citizens in an efficient and economical manner. The Authority's programs are designed to provide modern, efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools, enabling the State to more efficiently utilize its educational resources.

Nonmajor component units are presented beginning on page 222.

Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2010
(Expressed in Thousands)

Assets:	Economic Development Authority	Housing Development Fund	Parkways, Economic Development and Tourism Authority	Water Development Authority
Current Assets:				
Cash and Cash Equivalents	$ 45,985	$ 25,902	$ 10,317	$ 12,538
Investments	—	—	—	—
Receivables, Net	15,120	1,949	2,220	9,287
Due from Primary Government	—	—	6	2,045
Inventories	—	—	2,561	—
Other Assets	47	—	512	—
Restricted Assets:				
Cash and Cash Equivalents	289	146,884	3,768	—
Investments	—	—	29,242	1,532
Receivables, Net	—	4,812	—	—
Total Current Assets	61,441	179,547	48,626	25,402
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	1,907	7,168	—	1,200
Receivables, Net	190,198	50,184	—	13,289
Other Assets	—	572	—	1,000
Restricted Assets:				
Cash and Cash Equivalents	9,224	24,912	—	18,106
Investments	—	131,343	11,894	—
Receivables, Net	—	842,547	—	228,901
Other Restricted Assets	—	5,358	—	—
Capital Assets, Net	27,930	3,191	472,092	1,004
Deferred Outflows	—	—	7,271	—
Total Noncurrent Assets	229,259	1,065,275	491,257	263,500
Total Assets	290,700	1,244,822	539,883	288,902
Liabilities:				
Current Liabilities:				
Accounts Payable	98	—	3,894	255
Interest Payable	—	5,340	394	2,506
Accrued and Other Liabilities	318	19,053	8,489	—
Unearned Revenue	—	—	—	—
Due to Primary Government	104	—	4,566	44
Revenue Bonds Payable	—	232,210	7,135	6,377
Capital Leases and Other Debt	631	—	363	—
Compensated Absences	26	531	—	—
Total Current Liabilities	1,177	257,134	24,841	9,182
Noncurrent Liabilities:				
Unearned Revenue	2,895	—	—	—
Advances from Primary Government	149,155	—	—	—
Liabilities Payable from Restricted Assets	—	56,360	—	178
Accrued and Other Liabilities	3,322	—	—	1,000
Revenue Bonds Payable	—	518,721	62,254	218,576
Capital Leases and Other Debt	8,020	461	271	—
Compensated Absences	26	—	—	16
Fair Value of Hedging Derivative Instrument	—	—	7,271	—
Total Noncurrent Liabilities	163,418	575,542	69,796	219,770
Total Liabilities	164,595	832,676	94,637	228,952
Net Assets:				
Investment in Capital Assets, Net of Related Debt	22,660	—	402,069	1,004
Restricted for:				
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonexpendable	—	—	—	—
Lending Activities	—	324,711	—	28,770
Loans Receivable	8,924	—	—	—
Specific Component Unit Purposes	—	—	39,570	—
Unrestricted	94,521	87,435	3,607	30,176
Total Net Assets	$126,105	$ 412,146	$445,246	$ 59,950

The accompanying notes are an integral part of the financial statements.

Higher Education	Regional Jail Authority	School Building Authority	Other Component Units	Total
$ 462,639	$ 44,814	$ 194,815	$ 25,857	$ 822,867
14,320	—	130,865	339	145,524
89,032	10,855	2,120	826	131,409
26,077	3	5	222	28,358
6,003	876	—	40	9,480
4,230	—	—	174	4,963
—	619	—	35,260	186,820
—	—	—	—	30,774
—	—	—	1,087	5,899
602,301	57,167	327,805	63,805	1,366,094
104,041	—	—	—	104,041
314,234	—	—	9,459	333,968
51,277	—	—	4,559	309,507
44,914	—	—	208	46,694
—	—	—	—	52,242
—	—	—	—	143,237
—	—	—	2,428	1,073,876
—	—	—	267	5,625
2,042,598	130,683	855	45,297	2,723,650
—	—	—	—	7,271
2,557,064	130,683	855	62,218	4,800,111
3,159,365	187,850	328,660	126,023	6,166,205
58,071	2,221	1,670	3,188	69,397
5,361	—	—	—	13,601
48,361	1,233	14,374	366	92,194
92,544	—	—	42	92,586
113,980	10,715	101	1,711	131,221
27,381	5,015	35,186	—	313,304
25,483	—	—	5,655	32,132
39,707	1,673	82	1,130	43,149
410,888	20,857	51,413	12,092	787,584
—	—	—	77	2,972
—	—	—	—	149,155
—	—	—	33,490	90,028
114,496	—	—	200	119,018
816,850	67,310	414,644	—	2,098,355
99,463	—	—	20,155	128,370
3,142	—	—	258	3,442
—	—	—	—	7,271
1,033,951	67,310	414,644	54,180	2,598,611
1,444,839	88,167	466,057	66,272	3,386,195
1,146,045	58,358	855	45,134	1,676,125
72,462	—	—	—	72,462
8,317	7,934	61,633	—	77,884
150,011	—	—	267	150,278
—	—	—	—	353,481
—	—	—	—	8,924
164,787	—	—	4,325	208,682
172,904	33,391	(199,885)	10,025	232,174
$1,714,526	$ 99,683	$(137,397)	$ 59,751	$2,780,010

Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Component Units:					
Economic Development Authority	$ 9,278	$ 9,513	$ —	$ —	$ 235
Housing Development Fund	111,258	60,866	59,840	—	9,448
Parkways, Economic Development, and Tourism Authority	81,415	86,958	—	—	5,543
Water Development Authority	13,759	15,356	—	—	1,597
Higher Education	1,727,005	722,065	433,124	49,265	(522,551)
Regional Jail Authority	92,820	72,182	2,902	—	(17,736)
School Building Authority	115,085	—	2,981	—	(112,104)
Other Component Units	43,120	10,275	1,812	—	(31,033)
Total Component Units	$2,193,740	$977,215	$500,659	$49,265	$(666,601)

The accompanying notes are an integral part of the financial statements.

General Revenue							
Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenue	Change in Net Assets	Net Assets, Beginning of Year, as Restated	Net Assets, End of Year
$ 1,465	$ —	$ 3	$ —	$ 1,468	$ 1,703	$ 124,402	$ 126,105
11,007	—	—	—	11,007	20,455	391,691	412,146
1,377	—	993	—	2,370	7,913	437,333	445,246
440	—	—	—	440	2,037	57,913	59,950
23,076	—	21,548	471,249	515,873	(6,678)	1,721,204	1,714,526
58	—	292	—	350	(17,386)	117,069	99,683
2,553	—	—	102,522	105,075	(7,029)	(130,368)	(137,397)
26	650	606	26,037	27,319	(3,714)	63,465	59,751
$40,002	$650	$23,442	$599,808	$663,902	$ (2,699)	$2,782,709	$2,780,010

STATE OF WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The State of West Virginia is governed by elected officials. In accordance with GASB Statement No. 14, "The Financial Reporting Entity," these financial statements present the State (the primary government) and its component units. The component units discussed below are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Individual Component Unit Disclosures

United States generally accepted accounting principles (GAAP) define component units as those entities which are legally separate organizations for which the State's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. GAAP specifies two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the State's balances and transactions or discrete presentation of the component units' financial data in columns separate from the State's financial data.

Blended Component Units

The entities below are legally separate from the State and meet the GAAP criteria for component units. These entities are blended with the primary government because they provide services entirely or almost entirely to the State.

Transportation

The Division of Highways, within the Department of Transportation, is governed by a commissioner appointed by the Governor; it does not have a governing board separate from the State Legislature. It is a legally separate entity defined by the State Constitution. Since its operations are to improve the State's roads, Transportation is blended in the special revenue and capital projects funds of the State.

West Virginia Investment Management Board

The West Virginia Investment Management Board (IMB) is governed by a thirteen-member Board of Trustees. The IMB was created as a public corporation by West Virginia Code §12-6-1 to serve as the administrator, investor, and manager of the State's pension, Workers' Compensation, Pneumoconiosis, and other state funds. The Governor, the State Auditor, and the State Treasurer are members of the Board and the other members are appointed by the Governor. Because there is a financial benefit-burden relationship between the State and the IMB, and assets of the State and its component units comprise over 90% of the assets managed by the IMB, it is blended in the internal service funds of the State.

West Virginia Board of Treasury Investments

The West Virginia Board of Treasury Investments (BTI) is governed by a five-member board. The Governor, the State Auditor, and the State Treasurer are members of the Board and the other two members are appointed by the Governor. The BTI was created as a public corporation by West Virginia Code §12-6C-4 to provide prudent fiscal administration, investment and management for the Consolidated Fund and is blended in the internal service funds of the State.

West Virginia Lottery

The West Virginia Lottery is governed by a seven-member board appointed by the Governor. It was formed to assist the State in funding education and other basic governmental activities. This is accomplished by transferring the net profits of the games conducted by the Lottery to other accounts for uses including, but not limited to, debt service, education, and promotion of tourism. Because the Lottery exists to provide funding entirely to the State, it is blended in the enterprise funds of the State.

Tobacco Settlement Finance Authority

The Tobacco Settlement Finance Authority (TSFA) is governed by a five-member board, including the Secretary of Administration, the Treasurer of the State, and three persons appointed by the Governor. The TSFA was created to issue bonds related to the State's portion of the tobacco receipts from the Master Settlement Agreement between tobacco manufacturers and the covered states. The revenue bonds, secured by the tobacco revenues, are not a general obligation of the State. The TSFA is blended in the special revenue funds of the State, since its activities only benefit the State.

Blended Component Unit Financial Statements

Audited financial statements for these blended component units can be obtained directly from their respective administrative offices.

Administrative Offices:

Transportation
1900 Kanawha Blvd., East
Building 5, Room A137
Charleston, WV 25305

West Virginia Investment
Management Board
500 Virginia St. East, Suite 200
Charleston, WV 25301

Board of Treasury Investments
1900 Kanawha Blvd., East
Building 1, Room E-122
Charleston, WV 25305

West Virginia Lottery
312 MacCorkle Avenue, SE
Charleston, WV 25327

Tobacco Settlement Finance Authority
1900 Kanawha Blvd., East
Building 1, Room E-119
Charleston, WV 25305

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Because of the nature of the services they provide and the State's ability to impose its will on them, the following component units are discretely presented in accordance with GASB Statement No. 14. The State has both governmental (providing services to the government) and proprietary (providing services to external parties) component units. The component units are presented in a single column on the government-wide statements.

The major discretely presented component units are comprised of the following entities:

Economic Development Authority

The Economic Development Authority (EDA) is administered by a nine-member board composed of the Governor, Secretary of Revenue, and seven other members appointed by the Governor. EDA is responsible for developing and advancing the business prosperity and economic welfare of the State. EDA is authorized to make loans, including direct financing and operating leases to industrial development agencies for the promotion and

retention of new and existing commercial and industrial development. EDA is empowered to borrow money and issue bonds (with approval of the State), notes, commercial paper and other debt instruments to furnish money for the enhancement of business development projects, and has the ability to establish loan terms, including interest rates, at its discretion. EDA promotes economic development among private industries, and though its services benefit the State by increasing the tax base, its primary function is to provide jobs.

Housing Development Fund

The Housing Development Fund (HDF) is governed by an eleven-member board consisting of the Governor, the Attorney General, the Commissioner of Agriculture, the State Treasurer, and seven other members appointed by the Governor. The Governor or his designee is the chair of the board of directors. HDF is responsible for providing residential housing programs for low-income and moderate-income families, elderly persons, and other eligible persons and families, as well as financing certain nonresidential projects. It is empowered to issue bonds which are payable from the mortgage payments. The assets and revenues of the bond programs of the HDF are restricted by resolution to repay the outstanding debt. As the State is able to impose its will over the HDF, it is included as a discretely presented component unit.

Parkways, Economic Development and Tourism Authority

The Parkways, Economic Development and Tourism Authority (the Authority) is composed of seven members. The Governor or his designee serves as its chairperson, the Secretary of the Department of Transportation (DOT) is on the board, and five members are appointed by the Governor. Its responsibilities include the operation and maintenance of the West Virginia Turnpike (the Turnpike) as well as economic development and tourism projects approved by the DOT. The Authority sets the rates for using the Turnpike and may issue Parkway revenue refunding bonds payable solely from revenues of the Turnpike. The DOT, as well as the State, is able to impose its will on the Authority.

Water Development Authority

The Water Development Authority (the Authority) is governed by a seven-member board. The Governor, the Secretary of the Department of Environmental Protection, and the Commissioner of the Bureau for Public Health are members ex-officio of the board. Four members are appointed by the Governor. The Governor serves as the chair. The Authority is responsible for assisting in the preservation, protection, improvement, and management of the State's water resources. The Authority oversees a loan pool program which provides low-interest financing to local governments for water and wastewater projects. The Authority issues bonds to fund the loan pool and uses the proceeds to purchase local

government revenue bonds. The revenue bonds are payable solely from the revenues of the projects. The Authority also serves as the financial administrator of the West Virginia Infrastructure and Jobs Development Council and the Drinking Water Treatment Revolving Fund, which are enterprise funds.

Higher Education Fund

Each college and university in the Higher Education Fund (the Fund) is governed by a Governing Board, which is responsible for the general determination, control, supervision and management of the financial business and educational policies and affairs of the institution(s). The West Virginia Higher Education Policy Commission (the Policy Commission), in accordance with Senate Bill No. 653, is the single accountability point responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. It is comprised of ten persons appointed by the Governor with the advice and consent of the Senate. The Policy Commission is responsible for preparing and submitting a consolidated budget and allocating state appropriations to supplement institutional operating revenues.

Senate Bill 448 created the West Virginia Council for Community and Technical College Education (the Council), which has responsibility for developing, overseeing, and advancing the State's public policy agenda as it relates to community and technical college education. The Council is comprised of twelve persons appointed by the Governor with the advice and consent of the Senate.

The Fund is comprised of the following: Bluefield State College, Bridgemont Community and Technical College, New River Community and Technical College, Concord University, Eastern West Virginia Community and Technical College, Fairmont State University, Glenville State College, Marshall University (including Marshall University Graduate College), Mountwest Community and Technical College, Shepherd University, Blue Ridge Community and Technical College, Southern West Virginia Community and Technical College, West Liberty State College, West Virginia Higher Education Policy Commission (including West Virginia Network for Educational Telecomputing), West Virginia Council for Community and Technical College Education, West Virginia Northern Community College, West Virginia State University, Kanawha Valley Community and Technical College, West Virginia School of Osteopathic Medicine, West Virginia University (including Potomac State College and West Virginia University Institute of Technology), and West Virginia University at Parkersburg Community and Technical College. These entities are included in the Higher Education Fund financial statements as blended component units: Concord University Research and Development Corporation, Glenville State College Research Corporation, Glenville State College Housing Corporation, Marshall University

Research Corporation, Shepherd University Research and Development Corporation, West Virginia State University Research and Development Corporation, West Virginia University Research and Development Corporation.

In accordance with GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," the Fund's component units' financial statements are included in the Fund's component unit column in the Discretely Presented Major Component Units Financial Statements of the CAFR. The component units are the separate private nonprofit organizations of each applicable institution that are required to be reported under GASB Statement No. 39. Those organizations report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Various foundations have been established as separate nonprofit organizations incorporated in the State of West Virginia having as their purpose ". . . to aid, strengthen and further in every proper and useful way, the work and services of the (individual institutions within the Fund), and their affiliated nonprofit organizations. . ." Oversight of the foundations is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund. In carrying out its responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Although the individual institutions within the Fund do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the individual institutions within the Fund by donors. Because these restricted resources held by the foundations as detailed in the basic financial statements can only be used by, or for the benefit of, the individual institutions within the Fund, the foundations are considered component units of the Fund and are therefore included with the Fund's financial statements in accordance with GASB Statement No. 39.

The West Virginia University Foundation Inc. is appropriately not reported because the economic resources held do not entirely or almost entirely benefit West Virginia University. The Eastern West Virginia Community and Technical College Foundation Inc. and the MCTC Foundation are not included because they were not significant to their institutions. The Higher Education Foundation is not included because it does not entirely or almost entirely benefit one institution and because it was not significant to the Fund. Blue Ridge Community and Technical College and Kanawha Valley Community and Technical College do not have related foundations. Currently, Bridgemont Community and Technical College Foundation, Inc. has been registered with the Secretary of State, secured a separate federal identification number, and is in the process of securing the 501(c)(3) status with the IRS. Tech Foundation, Inc. is not included because it is not significant to the Fund.

Complete financial statements for any college, university or foundation can be obtained by contacting the Business Office of the West Virginia Higher Education Policy Commission, 1018 Kanawha Boulevard, E., Suite 700, Charleston, WV 25301.

Regional Jail and Correctional Facility Authority

The Regional Jail and Correctional Facility Authority (hereafter referred to as the Regional Jail Authority) is governed by a seven-member board of which five members are appointed by the Governor. It was formed to replace individual county jails with regional jails. Along with the State correctional institutions, the Regional Jail Authority is part of the consolidated penal system of this State. Although the construction of additional jails is ongoing, the operating focus has become the confinement of prisoners and existing jail operations. A majority of the operations, as well as a majority of the debt service, are financed by per diem fees for prisoners and court fees rather than appropriations from the State. No bonds or other obligations may be issued until the Legislature has approved the purpose and amount of each project.

School Building Authority

The School Building Authority is governed by a ten-member board appointed by the Governor. The State Superintendent of Schools serves as president of the Authority. The remaining nine members consist of three members of the State Board of Education and six citizens, one of whom must be a representative of the construction trades. The Authority is to "facilitate and provide State funds for the acquisition, construction, and maintenance of elementary and secondary public school facilities so as to meet the educational needs of the people of the State in an efficient and economical manner." The Authority's program is designed to provide modern, efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools, enabling the State to more efficiently utilize its educational resources.

The nonmajor discretely presented component units are comprised of the following entities:

Educational Broadcasting Authority

The Educational Broadcasting Authority (EBA) consists of eleven members. Seven members are appointed by the Governor. The other four members include the State Superintendent of Schools, one member from the West Virginia Board of Education, and two members from the West Virginia Higher Education Policy Commission. EBA is responsible for extending educational, cultural, and informational experiences to all state citizens. This is accomplished through the construction and operation of noncommercial educational television and radio stations and related facilities statewide. EBA provides statewide telecommunication services for other state and public service agencies for nonbroadcasted

activities such as teleconferencing, in-service training, and data delivery. EBA's revenues are derived primarily through donations, with a portion of operational costs supplemented by state and federal grants.

Jobs Investment Trust

The Jobs Investment Trust (the Trust) consists of thirteen members. The Governor, the President of West Virginia University, the President of Marshall University, the Chancellor of the West Virginia Higher Education Policy Commission, and the Executive Director of the West Virginia Housing Development Fund serve on the board by virtue of their respective positions. One member is appointed by the Governor from a list of two names submitted by the board of directors of the Housing Development Fund. One member is appointed by the Governor from a list of two names submitted by the Commissioner of the Division of Tourism. The other six members are appointed from the general public by the Governor. The Trust is responsible for the development, promotion, and expansion of West Virginia's economy and to provide opportunities to businesses and college and university students to develop and implement plans for innovative projects and investment opportunity.

West Virginia State Rail Authority

The West Virginia State Rail Authority (Rail Authority) consists of seven members. Six members are appointed by the Governor and the seventh member is the Secretary of the Department of Transportation. The Rail Authority is responsible for the rehabilitation, improvement, and restoration of the financial stability of the railway system in the State. It can issue bonds and set rates for the rail system. The Rail Authority receives federal and state grants to supplement its cost of operations.

Solid Waste Management Board

The Solid Waste Management Board (the Board) is composed of seven members. Five members are appointed by the Governor and the remaining members are the Secretary of the Department of Health and Human Resources and the Director of the Division of Environmental Protection. The Board is responsible for improving collection and disposal of solid wastes and encouraging recycling, reuse, and recovery of resources from wastes. The Board is the financing mechanism for solid waste projects and is empowered to issue bonds (with approval of the Water Development Authority) and set a rate structure.

Racing Commission

The Racing Commission consists of three members appointed by the Governor, by and with the consent of the Senate. The Racing Commission has full jurisdiction over and shall supervise all horse race meetings, all dog race meetings, and all persons involved in

the holding and conducting of horse and dog race meetings. It has the power to set fees and grant licenses and permits pertaining to horse and dog race meetings, as well as regulate the horse and dog race wagering.

Public Defender Corporation

The Public Defender Corporation represents the combined nonprofit corporations, created under authority of West Virginia Code §29-21, for the purpose of fulfilling the State's obligation to provide legal representation to eligible clients. Funding of the individual public defender corporations is by appropriation disbursed in periodic allotments determined by the Executive Director of the Public Defender Services, who is appointed by the Governor. The governing body of each public defender corporation is a Board of Directors appointed by the county commissions and the Governor.

Discretely Presented Component Unit Financial Statements

Complete audited financial statements of the individual discretely presented component units can be obtained directly from their respective administrative offices.

Administrative Offices:

Economic Development Authority
Northgate Business Park
160 Association Drive
Charleston, WV 25311-1217

Parkways, Economic Development and Tourism Authority
P.O. Box 1469
Charleston, WV 25325-1469

Higher Education Policy Commission
Administrative Services
1018 Kanawha Blvd., East
Suite 700
Charleston, WV 25301

School Building Authority
Finance Division
2300 Kanawha Blvd., East
Charleston, WV 25311

Housing Development Fund
814 Virginia Street, East
Charleston, WV 25301-2877

Water Development Authority
180 Association Drive
Charleston, WV 25311-1571

Regional Jail Authority
1325 Virginia Street, East
Charleston, WV 25301

Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

Jobs Investment Trust
1012 Kanawha Boulevard, E.
5th Floor
Charleston, WV 25301-2877

West Virginia State Rail Authority
120 Water Plant Drive
Moorefield, WV 26836-0470

Solid Waste Management Board
601 57th Street, SE
Charleston, WV 25304

Racing Commission
106 Dee Drive
Charleston, WV 25314

Public Defender Corporation
One Players Club Drive
Suite 301
Charleston, WV 25311

Joint Venture

The Stonewall Jackson Lake State Park Project (the Project) is a joint development of certain facilities at Stonewall Jackson Lake involving the Division of Natural Resources (DNR), the United States Corps of Engineers, and McCabe-Henley Properties LP (MHP), a West Virginia limited partnership. MHP was engaged by the DNR as the sole developer and operator of the Project. Revenue bonds for the Project were issued as conduit debt by the West Virginia Economic Development Authority in 2000. The bonds are payable solely from the revenues of the Project. The DNR has neither the power to pledge the credit of the State, nor to levy taxes or assessments, nor to issue debt on behalf of the Project.

The Project incurred net losses of $5,718,778 (unaudited) for the year ended December 31, 2009. At December 31, 2009, the Project's current liabilities exceeded its current assets by $64,757,171 (unaudited), and its total liabilities exceeded its total assets by $26,323,141 (unaudited). Additionally, the Project was in default under its Series A and Series B Revenue Bonds after having been unable to make required debt service payments in association with the Series A and Series B bonds in 2006, 2007, 2008, 2009 and 2010, although one partial payment of approximately $725,000 to the Series A bondholders was made in 2007.

Presently, the Project has no additional sources of funding available which can be accessed to satisfy existing or future financial obligations imposed by its revenue bonds or notes payable. Cash flows generated from the Project's operations have not historically been sufficient to enable the Project to fund its operations and satisfy its debt obligations.

The Master Trust Indenture states that given the event of default, the outstanding balance on the revenue bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Certain remedies available upon the occurrence of an event of default are set forth in the Indenture. At this time, the bondholders have formed a committee to explore their options but as yet have generally not exercised their rights nor enforced the remedies with regard to the default.

The losses, negative cash flows from operations, bond covenant violations, and the Project's inability to meet its debt service requirements raise substantial doubt about the Project's ability to continue as a going concern. Furthermore, the independent auditor's draft report on the Project's financial statements for the year ended December 31, 2009, included a going-concern opinion paragraph emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern. The Developer is continuing in its efforts to market the Stonewall Resort for conferences and as a vacation destination to increase revenues, and to monitor its cost of operations. No more recent audited financial information is available.

The State does not include the financial activities of the Project in its financial statements. Financial statements of the Project are available from the Stonewall Resort, 940 Resort Drive, Roanoke, WV 26447.

Basis of Presentation

The accompanying basic financial statements of the State of West Virginia (the State) conform to United States generally accepted accounting principles (GAAP) for governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. In addition, GAAP requires that the State's proprietary activities apply GAAP in a similar manner as applied for business activities in the private sector. As a result, the financial statements of certain component units follow the specialized reporting practices of the insurance, housing finance agency, and other not-for-profit industries, as prescribed by the GASB and other authoritative sources, including pronouncements of the Financial Accounting Standards Board (FASB). Certain net asset amounts presented for the preceding year have been restated or reclassified. See Note 2 for further explanation.

As allowed by GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the State and the majority of its component units have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. The IMB, the Educational Broadcasting Authority, and the Public Defender Corporation have elected to follow all FASB Statements and Interpretations, APB Opinions, and ARBs, except those that conflict with or contradict GASB pronouncements.

The basic financial statements have been prepared primarily by the Financial Accounting and Reporting Section (FARS) of the Department of Administration from accounts maintained by the State Auditor's Office, the State Treasurer's Office, the Board of Treasury Investments, and the Investment Management Board. Additional data has been derived from the audited financial statements of certain entities and from reports and data prepared by various state agencies and departments, based on independent or subsidiary accounting records maintained by them.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all the nonfiduciary activities of the primary government and its component units. These activities are reported as governmental activities, business-type activities or component units. The governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange revenues, and are reported separately from the business-type activities. The business-type activities rely significantly on fees and charges to external parties for their support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

> Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
>
> Restricted net assets result when constraints are placed on net asset use by external creditors, grantors, contributors, etc. or imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them available for general operations. They also often have constraints on resources imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included in program revenues are reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus. These funds report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are primarily considered available if received in the first 60 days of the new fiscal year. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal awards, federal reimbursements, and other reimbursements for use of materials and services. Revenues from federal awards are considered available when the related expenditures have been incurred and if received in twelve months. Receipts and disbursements of U.S. Government food stamps are accounted for in the General Fund. The electronic benefits transfer (EBT) process for food stamp revenue equal to expenditures is recognized when the underlying transaction (food purchase) occurs. Revenues from other sources are recognized when received.

Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, compensated absences, environmental obligations, and claims and judgments, are recorded only when payments are due.

Governmental Fund Types

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes (other than debt service and capital projects).

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The Irreducible School Fund was constitutionally established for educational purposes.

The State reports the following major governmental funds:

The General Fund is the primary operating fund of the State. It is used to account for all financial resources obtained and spent for those services normally provided by the State (e.g., health, social assistance, public safety, primary and secondary education), which are not required to be accounted for within other funds.

Transportation has responsibility for the construction, maintenance, and improvement of all state roads; development of public transportation facilities, services, equipment, and methods; and supervision and control of commercial, state, and municipal airports and ports. Financial resources for these responsibilities are federal grants, registration fees, license fees and taxes.

The Tobacco Settlement Finance Authority (TSFA) was established to sell bonds that are being funded by projected future cash flows from the Master Settlement Agreement between the manufacturers and the states. The TSFA acquired the State's rights to the revenue under the Master Settlement Agreement. The TSFA receives the cash flows and transfers the monies to the trustee upon receipt.

Proprietary Fund Types

Enterprise Funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the State has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees and charges of the activity. These funds include the State's risk management and insurance funds as well as the West Virginia Lottery, the Alcohol Beverage Control Administration, two water treatment loan programs, the West Virginia Prepaid College Plan, the West Virginia Infrastructure and Jobs Development Council, and Correctional Industries.

Internal Service Funds account for the operations of those state agencies that provide goods and services to other state agencies and governmental units on a cost-reimbursement basis. These services include government building and vehicle maintenance and leasing, data processing functions, and the investment and management of state funds. In the government-wide statements, internal service funds are included with governmental activities.

The State reports the following major enterprise funds:

The West Virginia Lottery accounts for lottery ticket revenue, administrative and operating expenses, and distribution of net revenue to the General Fund.

The Water Pollution Control Revolving Fund provides low-interest loans to communities to upgrade or establish sewer service, to clean up the State's water supply, and assist local governmental entities in complying with the Clean Water Act.

The Workers' Compensation Fund provides compensation for injury or illness sustained during the course of employment with a date of injury on or before June 30, 2005 (see Note 14).

Unemployment Compensation operates local offices throughout the State to provide temporary assistance to eligible unemployed workers.

The West Virginia Infrastructure and Jobs Development Council coordinates the review and funding of water, wastewater, and economic development projects within the State through proceeds of its bond program, certain mineral severance taxes, repayments of principal and interest, and statutorily dedicated legislative appropriations from the excess lottery revenue fund.

The Public Employees' Insurance Agency and the Board of Risk and Insurance Management are shown with the proprietary major funds due to their importance to management.

Additionally, the State reports the following fund types:

Fiduciary Fund Types

Pension and Other Employee Benefit Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit retirement plans, the defined contribution retirement plan, and the multiemployer, cost-sharing other postemployment benefit plan, in which the State is a participating employer.

Investment Trust Funds report resources in external investment pools that belong to local governments and municipalities.

Private Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The SMART 529 College Savings Plan allows citizens to defer taxes on earnings for college tuition.

Agency Funds report assets held by the State, functioning as an agent for individuals, private organizations, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds are taxes that will be remitted to respective local governments, hospital patient and inmate funds, performance bonds, appropriations for the patient injury fund, and interest earnings.

Interfund Activity and Balances

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: activities between funds reported as governmental activities and funds reported as business-type activities; and activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund expending the resources. An example is lottery proceeds collected by the West Virginia Lottery, but expended by the Department of Education.

Interfund receivables and payables have been eliminated from the statement of net assets, except for the residual amounts due between governmental and business-type activities.

Major Reserve/Stabilization Funds

The Revenue Shortfall Reserve Fund (Rainy Day Fund) began when West Virginia Code §11B-2-20 was passed on March 11, 1994 with surplus funds available at the close of FY 1994. According to §11B-2-20 the first 50% of all surplus General Revenue funds accrued during the fiscal year just ended must be deposited into the fund until the aggregate amount of the fund exceeds 10% of the total appropriations from the General Revenue Fund for the fiscal year just ended.

Originally, the Revenue Shortfall Reserve Fund could be used only to offset a shortfall in revenues that would otherwise require the Governor to impose expenditure reductions. In July 1996, the West Virginia Code was amended to allow the Legislature to make appropriations from the fund for emergency revenue needs caused by acts of God or natural disasters or for other fiscal needs as determined by the Legislature. Recent legislation, which became effective June 9, 2006, also permits the fund to be invested and to retain those earnings. The first $100 million is invested by the West Virginia Board of Treasury Investments and any amounts over $100 million are invested by the West Virginia Investment Management Board.

Since the fund was created in 1994, $504.7 million has been deposited into the fund; $170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects. As of June 30, 2010, the fund contained $276.9 million, 7.4 percent of FY 2011 appropriations.

The Legislature also authorized the Governor, by executive order, to borrow funds from the Rainy Day Fund when revenues are inadequate to make timely payments of the State's obligations. The amount borrowed may not exceed 1.5% of the General Revenue Fund estimate for the fiscal year in which the funds are borrowed and shall be repaid to the fund within 90 days of its withdrawal. Because of an expected cash flow shortfall experienced each year in the first quarter of the fiscal year, the Governor has borrowed from the fund each year since August 1996 in order to pay obligations in a timely manner. The loans were repaid before September 30 of each year, all within the 90-day limit allowed by law.

The Revenue Shortfall Reserve Fund—Part B (Rainy Day Fund—Part B) began with the cash balance of the West Virginia Tobacco Settlement Medical Trust Fund on June 9, 2006, the effective date of the bill, West Virginia Code §11B-2-20. The funds are invested by the West Virginia Investment Management Board and interest and other returns on the invested funds are credited to the fund.

Expenditures may not be made from the Rainy Day Fund—Part B unless all monies in the Revenue Shortfall Reserve Fund have been first expended. After June 30, 2025, interest and other returns earned on monies in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees' Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health programs, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On June 30, 2010, the balance in the Rainy Day Fund—Part B was $280.6 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure timely income tax refunds. On June 30, 2010, the balance in the Income Tax Refund Reserve Fund was $45 million which represents about 1.2% of the total FY 2011 General Revenue Fund.

Assets and Liabilities

Cash and Cash Equivalents - Cash equivalents are short-term investments with maturities, when purchased, of three months or less. The State Treasurer principally deposits the State's cash in investment pools maintained by the BTI and IMB, and such deposits are generally available with overnight notice. Cash deposits in outside bank accounts are considered to be cash and cash equivalents.

Investments - Amounts reported as investments include certain deposits with the IMB, the BTI and other investments maintained in outside accounts. The investments at IMB are maintained in investment pools having long-term investment securities designated as trading securities or established to acquire participant-directed securities. The State participates in three external investment pools managed by the BTI. Two are reported at amortized cost, which approximates fair value. The third is a longer-term investment pool that carries investments at fair value. The fair value of investments is derived from a third-party pricing service based on asset portfolio pricing models and other sources. IMB's investments in the Short-Term Fixed Income Pool are carried at amortized cost. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Because fair value of the investments of the State Building Fund approximates amortized cost, no noncash change in fair value is reported.

Inventories - Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported for financial statement purposes. Materials and supplies inventories are physically counted and primarily valued at the first-in, first-out method (FIFO) and average cost at year-end. Inventories of governmental funds are recorded using the consumption method. A reservation of fund balance is recorded for the ending inventory amount, indicating that inventory does not constitute "expendable available financial resources." Proprietary fund and component units' inventories are valued at the lower-of-cost or market, cost being determined on FIFO, and are expensed when used.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at fair value or estimated fair value at the time of the donation. In accordance with the capitalization policy adopted by the State for financial reporting, equipment with a purchase price in excess of $25,000 is capitalized. Certain small blended component units follow other capitalization policies which range from $5,000 to $25,000 for equipment. The Higher Education component unit uses $1,000 and $5,000 thresholds. Buildings and improvements which extend the useful lives and/or significantly increase values of capitalized buildings with a combined value in excess of $100,000 are capitalized. All land, regardless of acquisition price, is capitalized. Following the provisions of GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," computer software costs of $4.5 million in the Business-type activities and $9.8 million in the Governmental activities were reclassified from equipment to intangible assets as of July 1, 2009. The July 1, 2009, balances also include intangible assets from other agencies implementing Statement 51. Intangibles include off-the-shelf computer software, patents, easements and mineral rights over $25,000 and internally generated software over $1 million.

West Virginia is one of only four states that owns all the paved roads in the State, except for streets. Infrastructure was capitalized for the first time in fiscal year 2002. Transportation's infrastructure constructed from July 1, 1980 to July 1, 2001, has been recorded at estimated historical cost. The estimated historical cost for years 1980-2001 was based on capital outlay expenditures reported by DOT in the annual reports for those years, less an amount estimated for the historical cost of the acquisition of land for right-of-way. DOT has not capitalized any infrastructure expenditures for assets constructed prior to July 1, 1980, as permitted by GASB Statement No. 34. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized. Other agencies are capitalizing all infrastructure assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The capital assets are depreciated over their estimated useful lives using the straight-line depreciation method. Amortization of capital lease assets is included with depreciation expense. Equipment, depending on type, is depreciated over 3-20 years. Buildings are depreciated over various lives, ranging from 20-50 years. The infrastructure assets are depreciated over a period of 20-50 years. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Impaired assets and insurance recoveries are analyzed for significance and recorded accordingly.

The State possesses certain capital assets that have not been capitalized and depreciated, including works of art and historical treasures, such as monuments, historical documents, paintings, antiques, pioneer, Indian, and Civil War artifacts, etc. GASB Statement No. 34 does not require the capitalization of works of art and historical treasures if the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State considers its collections as inexhaustible, protected collections for exhibition and education, not for financial gain.

Accrued Tuition Contract Benefits - An accrued tuition contract benefits liability is recognized based upon the actuarial present value of the future tuition contract obligation. This valuation method reflects the present value of estimated tuition contract benefits that will be paid in future years and is adjusted for the effects of projected tuition and fee increases and termination of contracts. When a beneficiary of the prepaid tuition program is accepted to an eligible college or university, the contract becomes redeemable. Benefits can be transferred to any fully accredited private or out-of-state college or university within the United States in an amount based on the average cost of tuition and fees then charged by West Virginia public colleges and universities. While a beneficiary has up to ten years after high school to use the plan benefit, four other options are available: 1) the purchaser may transfer the contract benefits to an eligible substitute beneficiary; 2) at any time four years or more after the beneficiary's expected college entrance date, the purchaser may request a refund of the contract benefit value, less a termination fee and an earnings penalty required by federal law; 3) at any time, the purchaser may cancel the contract and receive a refund of payments made, less administrative fees and any benefits already paid; or 4) the purchaser may transfer the prepaid contract value to the West Virginia College Prepaid Tuition and Saving Program in accordance with state and federal regulations.

Insurance Enterprises and Obligations - The Board of Risk and Insurance Management (BRIM), the Public Employees' Insurance Agency (PEIA), and the Workers' Compensation Fund (WCF) each represent and are accounted for as insurance enterprise funds of the State. These funds follow the guidance of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," and GASB Statement No. 30, "Risk Financing Omnibus." BRIM and PEIA are considered public entity risk pools (enterprise funds). Each organization has included the required supplementary information (in accordance with GASB Statement No. 30) in its separately audited financial statements.

Advances - The amount of Economic Development Authority loans held by the State's General Fund at June 30, 2010, is approximately $149 million and is recorded as Advances to/from Component Units. There is a revolving loan agreement with the BTI to borrow up to $175 million ($124 million outstanding) to be reloaned for economic development purposes, interest equal to the twelve-month average of BTI's yield on its cash liquidity pool, adjusted annually. Monthly payments must be sufficient to repay outstanding principal over 10 years, secured by a security interest in the investments derived from the loan. There is also a note payable to the BTI, non-recourse with right of offset against a note receivable, amount not to exceed $25 million ($24.9 million outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds.

Long-Term Liabilities - In the government-wide financial statements and proprietary fund financial statements, long-term obligations (including claims and judgments, environmental obligations, and compensated absences) are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pollution Remediation Obligations - In the government-wide Statement of Net Assets, pollution remediation obligations including landfills, mine reclamation, oil and gas wells, and underground storage tanks, are reported in the Accrued and Other Liabilities line

item at the current value of expected outlays to fund remediation costs using a technique substantially similar to the expected cash flow technique. The technique uses contracts issued, measuring averages and standard deviations, and variances to all the other sites without contracts. A range of possible estimated amounts is used, as well as, all expectations about possible cash flows on a site-specific basis. Ranges are based on actual remediation cost experience, remediation cost estimates and/or discrete cost remediation treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation activities beyond site investigation/ assessment or feasibility studies have not begun, remaining remediation costs are not reasonably estimable and liabilities for such cases are not reported. For a more detailed explanation of the liability, see Note 15, Commitments and Contingencies.

Compensated Absences - Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 240 to 320 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is valued at 100% of the balance plus the State's share of Social Security and retirement contributions. In lieu of a cash payment, at retirement an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium. State employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the State, an employee's sick leave benefits are considered ended and no reimbursement is provided. However, eligible employees may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. See OPEB discussion in Note 13.

Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements. Net assets are reported in three categories:

- Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

- Restricted net assets are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments, and in some cases by legally enforceable enabling legislation or constitution of the State.

- Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

Effective July 1, 2009, the State adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- Restricted fund balances are restricted due to legal restriction from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitution of the State.

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which for the State is the State Legislature. Those committed amounts cannot be used for any other purpose unless the Legislature removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- Assigned fund balances are constrained by the government's intent to use such funds for specific purposes, but are neither restricted nor committed, except for major reserve/stabilization arrangements. The specific purpose for which the funds are intended is expressed within the appropriation requests of the agencies and approved by the State Budget Office, according to the WV State Code. Assigned fund balances include all remaining amounts (except negative amounts) that are reported in the governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed. Amounts in the general fund that are intended to be used for a specific purpose are also assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the State has assigned those amounts to the purposes of the respective funds.

- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Any negative fund balances are unassigned.

Revenues and Expenditures/Expenses - In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type and discretely presented component units), then further by function (e.g., administration, education, transportation). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either restricted by state law or by outside restriction (e.g., federal awards), available only for specified purposes. Unused restricted revenues at year-end are recorded as restricted fund balance. Appropriations in the annual budget bill specify the funding source and therefore the order in which restricted or committed fund balance gets spent. Agency level assigned and unassigned fund balances spending is at the discretion of the agency, with approval of the State Budget Office. It is the State's overall policy to use restricted balances first, then unrestricted balances in the following order: committed, assigned, and unassigned.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Capital Outlay," or "Debt Service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Capital outlay includes expenditures for real property or infrastructure. Debt service includes both interest and principal outlays related to bonds and payments on capital leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g., sales, depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Retiree Drug Subsidies - The retiree drug subsidy (RDS) revenue from the federal government under the provisions of Medicare Part D has been recorded by the Retiree Health Benefit Trust Fund (RHBT). RHBT has accounted for the RDS revenue as voluntary nonexchange transactions in accordance with GASB Technical Bulletin 2006-1. Accordingly, RDS estimated revenue is recognized as RHBT incurs Medicare-eligible retiree prescription drug expenditures.

Other Financing Sources - These additions to governmental fund balances in the fund financial statements include resources and financing provided by bond proceeds, capital leases, and transfers from other funds.

Other Financing Uses - These reductions of governmental fund resources in the fund financial statements normally result from transfers to other funds.

Interfund Services Provided and Used - When a sale or purchase of program-related goods and/or services between funds occurs, for a price approximating their external exchange value, the seller reports revenue and the purchaser reports an expenditure or expense, depending on the fund type. Transactions between the primary government and a discretely presented component unit are generally classified as revenues and expenses, unless they represent repayments of loans or similar activities.

Future Adoption of Accounting Pronouncements

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." GASB Statement No. 57 amends certain current standards related to employer accounting and reporting for OPEB, and OPEB plan reporting. The newer requirements are intended to increase the number of employer governments which may use the 'alternative method' and clarifies that the same frequency and timing of determining OPEB measures are required for both agent multiple-employer plans and those plans' participating employer governments. This statement, effective in fiscal year 2012, will not have a financial impact on the State.

GASB Statement No. 59, "Financial Instruments Omnibus," updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This statement will be effective for the State in fiscal year 2011, and management has not yet determined the financial statement impact, if any, of the pronouncement.

The GASB recently issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," which establishes recognition, measurement, and disclosure requirements related to service concession arrangements, which are a type of public-private or public-public partnership. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34" modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

The GASB recently issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

NOTE 2

RESTATEMENTS AND RESTRICTED BALANCES

Restatement of Beginning Balances

As of July 1, 2009, the State implemented GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions," and accordingly, all of the State's funds and agencies were analyzed by management in order to address the changes required by this new statement. Beginning in July 2009, the Consumer Protection Recovery Fund held court settlement revenues for distribution to various State agencies. The assets for this fund of $1,807,000 were reclassified from the Agency Funds to the General Fund. The reclassification of the Veterans Nursing Building Fund increased fund balance of the General Fund by $15,000. The West Virginia Infrastructure and Jobs Development Council re-evaluated its activities, which resulted in the WVIJDC being reclassified from the governmental activities to the business-type activities, causing a decrease in fund balance of governmental funds of $704,844,000 and an increase in Enterprise Funds of $582,998,000 which includes the liability for its revenue bonds.

West Virginia Correctional Industries was reclassified from the General Fund to an Enterprise Fund, which decreased the General Fund's fund balance $4,334,000. The Armory Board was reclassified from other governmental funds (special revenue) to the General Fund, due to the consolidation of its programs with the Adjutant General, which increased the General Fund fund balance $2,163,000.

The Regional Jail Authority had a small increase in its July 1, 2009, beginning net assets due to some minor adjustments.

The State also implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," effective July 1, 2009. In connection with the adoption of this statement, the previously reported governmental activities net assets of $10,076,079,000 have been restated and increased by $13,712,000. Additional disclosures about intangible assets are included in Note 1.

The increase of $13,712,000 from the implementation of GASB Statement No. 51 and the decrease of $590,156,000 from the implementation of GASB Statement No. 54, make up the total net decrease of $576,444,000 to arrive at the restated governmental activities net assets balance of $10,003,464,000 at July 1, 2009.

The following table summarizes the effect by entity and reporting level of the restatement adjustments at July 1, 2009 (expressed in thousands):

	Fund Balance or Net Assets		
Entity/Reporting Level	As Previously Reported	Adjustment	Restated
Government Funds:			
General Fund	$1,167,916	$ (349)	$1,167,567
West Virginia Infrastructure and Jobs Development Council	704,844	(704,844)	—
Other Governmental Funds	391,545	(2,163)	389,382
Total Governmental Funds	3,345,995	(707,356)	2,638,639
Proprietary Funds:			
West Virginia Infrastructure and Jobs Development Council	—	582,998	582,998
Other Enterprise Funds	62,379	4,334	66,713
Total Business-type Activities - Enterprise Funds	(83,503)	587,332	503,829
Component Units:			
Regional Jail Authority	115,396	1,673	117,069
Total Component Units	2,781,036	1,673	2,782,709
Government-wide:			
Governmental Activities	10,076,079	(576,444)	9,499,635
Business-type Activities	(83,503)	587,332	503,829
Total Primary Government	9,992,576	10,888	10,003,464
Component Units	2,781,036	1,673	2,782,709

Restricted Net Assets

The following table summarizes by fund the restricted net assets of each of the funds included in "other" columns at June 30, 2010 (expressed in thousands):

		Restricted For					
Fund Type/ Fund	Total Reporting Entity	Capital Projects	Lending Activities	Insurance Activities	Government Operations	Nonexpendable	Other Specific Fund Purposes
Enterprise Funds:							
Drinking Water Treatment Revolving Fund	$ 84,305	$ —	$84,305	$ —	$ —	$ —	$ —
Alcohol Beverage Control Administration	2,130	—	2,130	—	—	—	—
West Virginia Prepaid College Plan	997	—	—	—	997	—	—
AccessWV	12,353	—	—	12,353	—	—	—
	99,785	—	86,435	12,353	997	—	—
Internal Service Funds:							
State Building Fund	74,588	74,588	—	—	—	—	—
Discretely Presented Component Units:							
Educational Broadcasting Authority	267	—	—	—	—	267	—
Solid Waste Management Board	4,325	—	—	—	—	—	4,325
	4,592	—	—	—	—	267	4,325
Total	$178,965	$74,588	$86,435	$12,353	$997	$267	$4,325

The government-wide Statement of Net Assets reports $1,867,745 of restricted net assets for the primary government of which $682,419 is restricted by enabling legislation.

Restricted Fund Balance

The following table summarizes by fund the restricted fund balance of each of the funds included in "other" columns at June 30, 2010 (expressed in thousands):

Fund Type/Fund	Total Reporting Entity	Capital Projects	Debt Service	Development, Tourism, and Recreation	Education	Public Protection
Governmental Funds						
Special Revenue Funds:						
Environmental Protection	$ 21,276	$ —	$ —	$ —	$ —	$21,276
Public Service Commission	2,087	—	—	—	—	2,087
Wildlife Resources	34,877	—	—	34,877	—	—
	58,240	—	—	34,877	—	23,363
Capital Projects Funds:						
State Road	18,028	18,028	—	—	—	—
Lease Purchase Accounts	10,255	10,255	—	—	—	—
	28,283	28,283	—	—	—	—
Debt Service:						
West Virginia Infrastructure and Jobs Development Council	1,035	—	1,035	—	—	—
Education, Arts, Sciences, and Tourism Fund	27,197	—	27,197	—	—	—
Lease Purchase Accounts	8,602	—	8,602	—	—	—
Economic Development Project Fund	41,223	—	41,223	—	—	—
	78,057	—	78,057	—	—	—
Permanent Funds:						
Irreducible School	393	—	—	—	393	—
Total	$164,973	$28,283	$78,057	$34,877	$393	$23,363

NOTE 3

FUND DEFICITS

Individual funds with net asset/fund balance deficits at June 30, 2010, were as follows (expressed in thousands):

	Net Asset/ Fund Balance Deficit
Special Revenue Funds:	
WORKFORCE West Virginia	$ 4,860
Enterprise Funds:	
Workers' Compensation Fund	1,006,961
West Virginia Prepaid College Plan	22,160
Discretely Presented Component Units:	
School Building Authority	137,397
West Virginia Jobs Investment Trust	3,480
Total Deficits	$1,174,858

Special Revenue Funds

The fund balance of the WORKFORCE West Virginia changed from a $487 thousand deficit to a deficit of $4.9 million. The deficit increase was due to increased OPEB costs and an increase in training costs for the unemployed. WORKFORCE West Virginia is continuing to improve its budgetary process and is looking at various methods to control expenses; including, but not limited to, budget cutbacks, closing of offices, and the reorganization of various job responsibilities. In addition, a more comprehensive oversight program to monitor the seven subrecipient Workforce Investment Boards is being developed in an effort to reduce nonallowable expenditures. Funding will be sought to eliminate future anticipated deficits as estimated by management.

Enterprise Funds

The Workers' Compensation Fund deficit of $1 billion is more fully discussed in Note 14, Risk Management. West Virginia Prepaid College Plan (the Plan) has a net assets deficiency of approximately $22.2 million as of June 30, 2010. This deficiency was largely caused by investment losses in fiscal years 2002, 2008 and 2009, unexpected tuition increases beginning with the 2002-2003 school year, changes in prior year estimates of future investment rate of return and tuition growth and adjustments in actuarial assumptions in fiscal year 2008. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid Tuition Plan is dependent on long-term investment

programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay benefits due with available funds.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to $1 million each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of $510,436 for the seven years ended June 30, 2010, leaving the account with a balance of $12,764,444 at June 30, 2010. Because there was an actuarially determined unfunded liability of approximately $23.2 million in the Plan as of June 30, 2010, an additional $1 million was transferred from the Fund to the Escrow Account on January 3, 2011, in accordance with the provisions enacted by the Legislature. Funds transferred or to be transferred into the Escrow Account do not affect the actuarial valuation of the Plan and are not included in the Plan's financial statements. Management believes that the Plan will continue to have sufficient liquid resources to meet its obligations as they become due through June 30, 2011. The financial statements do not reflect any adjustments that might result should the plan to eliminate the net assets deficiency fail to be successful.

Discretely Presented Component Units

The School Building Authority's (the SBA) combined net assets deficiency at June 30, 2010, is $137.4 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA will receive $23 million per year from an allocation from the West Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from the Step 7 of the Department of Education's funding formula are to be allocated to the SBA's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the funding formula are unconstitutional.

At June 30, 2010, the SBA had $449.8 million in bonds outstanding, compared to $409.2 million at June 30, 2009, an increase of 9.9%. This increase of $40.6 million represents the issuance of the Series 2009A Qualified School Construction Bonds with a par value of

$30.0 million and the Series 2009B Qualified School Construction Bonds with a par value of $48.2 million less the book value of bonds that matured during the year. Since the SBA receives all its debt service funding from allocations from the West Virginia Lottery, any bonds issued by the SBA will always be assigned a debt rating based on the performance of the West Virginia Lottery.

The net assets of the West Virginia Jobs Investment Trust (the Trust) at June 30, 2010, are a deficit of $3,480,000. This deficit is expected to reverse as the Trust begins selling the nonincentive tax credits of $6 million during fiscal year 2011, retiring the promissory notes issued under the "new millennium fund." Management expects the deficit in net assets will be eliminated by the sale of the tax credits; however, the ultimate impact of the sale of such credits is currently unknown.

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NOTE 4

DEPOSITS AND INVESTMENTS

Deposits

The State's deposit policy is described in West Virginia's Code §12-2-2 and 3. All monies are to be maintained in the State accounting system or in an outside bank account approved by the State Treasurer's Office.

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in possession of the outside parties. According to State Code §12-1-5, the amount of funds on deposit in any depository financial institution in excess of the amount insured by the FDIC shall not exceed 90% of the value of collateral pledged by the depository institution. The State minimizes custodial credit risk by obtaining the required amount of collateral in the name of the State. The State Treasurer has statutory responsibility for the daily cash management of the State's agencies, departments, boards, and commissions.

Primary Government

At June 30, 2010, the reported amount of the primary government's deposits was $50,261,000 and the bank balance was $223,431,000. Of that bank balance, $2,447,000 was uninsured and uncollateralized, $1,429,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and $1,763,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

Component Units

At June 30, 2010, the reported amount of the component units' deposits was $300,099,000 and the bank balance was $192,133,000. Of that bank balance, $4,000 was uninsured and uncollateralized, $30,262,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and $28,832,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

Investments

The BTI manages the short-term operating funds of the State. The IMB focuses on the State's long-term trust investments. The BTI is charged with managing the individual

investment pools and accounts of the Consolidated Fund under authority of West Virginia Code, §12-6C, West Virginia Treasury Investments Act. The Consolidated Fund provides for the investment of moneys not currently needed to fund State governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The IMB provides fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds. The State Treasurer's Office determines which funds to transfer to the IMB and BTI for investment in accordance with West Virginia Code, policies set by the IMB and BTI, and by provisions of bond indentures and trust agreements, when applicable.

The BTI is authorized by West Virginia Code, §12-6C-9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the State to reduce loan costs to small businesses by offsetting interest reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than 75% of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association, and at no time shall more than 5% be invested in securities issued by a single private corporation or association. Further, no less than 15% of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government.

Investment Valuation

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools and accounts are, as permissible under Governmental Accounting Standards Board (GASB) Statement No. 31, carried at amortized cost. The WV Money Market and WV Government Money Market pools are considered "2a7-like" investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in a manner consistent with the Securities and Exchange Commission (SEC) Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net assets. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific GASB 31 exceptions to fair value reporting for the other pools are as follows:

Pool	Exception
WV Bank	Nonnegotiable certificate of deposits with redemption terms that do not consider market rates
Loans	Loans receivable arising from real estate lending activities
Reserve	Nonparticipating investment contract with redemption terms that do not consider market rates
Municipal Bond Commission	Irrevocable trust meeting the requirements of a legal or in-substance defeasance

The investments of the remaining pools are reported at fair value, which is determined by a third-party pricing service based on asset portfolio pricing models and other sources. The BTI determines fair value at the end of each month. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

A more detailed discussion of the IMB's and BTI's investment pools can be found in the IMB's and BTI's annual reports. A copy of the IMB's annual report can be obtained from the following address: 500 Virginia Street East, Suite 200, Charleston, WV 25301 or http://www.wvimb.org. A copy of the BTI's annual report can be obtained from the following address: West Virginia Board of Treasury Investments, 1900 Kanawha Boulevard East, Charleston, WV 25305 or http://www.wvbti.com.

Except as specifically disclosed in this note, the State currently does not have specific overall policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

In addition to amounts invested with the IMB and BTI, certain governmental funds and discretely presented component units are permitted to invest bond proceeds with third-party trustees named in bond indentures. Governmental funds including the Education, Arts, Sciences, and Tourism Fund; West Virginia Infrastructure and Jobs Development Council; Tobacco Settlement Finance Authority; the Department of Health and Human Resources; and the Department of Administration have investments with bond trustees. The West Virginia Infrastructure and Jobs Development Council enterprise fund also has investments with bond trustees. The following discretely presented component units have reported investments held with third-party trustees: Regional Jail Authority; Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways, Economic Development and Tourism Authority; Water Development Authority; School Building Authority; Solid Waste Management Board; and Higher Education Fund. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the CPRB and the SMART 529 College Savings Plan have their assets held by outside third parties.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); equities; corporate debt obligations, including commercial paper, which meet certain ratings; certain money market mutual funds; investment agreements with certain financial institutions; repurchase agreements; state and local government series (SLGS) securities; and other investments. Other investments consist primarily of single family mortgage loans and collateralized mortgage obligations. SLGS are direct obligations of the U.S. Government, issued to state and local government entities to provide those governments with required cash flows at yields which do not exceed IRS arbitrage limits.

Derivatives

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2010, IMB held derivative financial investments that included: Futures Contracts, Option Contracts, Foreign Exchange Forward Contracts, and Interest Rate Swaps. Additionally, the IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Credit risk and interest rate risk pertaining to Derivatives are disclosed in each participating pool's section in this note. The change in fair value of derivatives is included in the Unrestricted Investment Earnings on the Government-wide Statement of Activities; Interest and Other Investment Income on the Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds; and Net Appreciation in Fair Value of Investments on the Statement of Changes in Fiduciary Net Assets Fiduciary Funds. The fair value of derivatives is included in the Investments and Cash Equivalents on the Government-wide Statement of Net Assets; Investments on the Statement of Net Assets Proprietary Funds; and Investments on the Statement of Fiduciary Net Assets, Fiduciary Funds. More details of the changes in fair value may be obtained from the financial statements of the WV Investment Management Board.

Repurchase Agreements

In connection with repurchase agreement transactions, it is the IMB's policy that its designated custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of a repurchase transaction at all times. If a seller defaults and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

The BTI uses only tri-party repurchase agreements. Under the terms of a tri-party repurchase agreement, the seller transfers collateral securities to an account of the BTI's manager/agent at the seller's custodian bank. This arrangement perfects the BTI's lien

on the collateral and effectively protects the BTI from a default by the seller. The BTI requires sellers in repurchase transactions to pledge collateral of at least 102% of the cash borrowed from the BTI. If a seller defaults and the fair value of the collateral declines, realization of the collateral by the BTI may be delayed or limited.

Foreign Currency

Amounts denominated in or expected to settle in foreign currencies are translated into United States dollars at exchange rates reported by Bank of New York Mellon on the following basis:

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.

- Purchases and sales of investment securities, income and expenses - at the rate of exchange prevailing on the respective dates of such transactions.

The IMB isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from market prices of securities held.

Reported net realized foreign exchange gains and losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities including investments in securities at month-end, resulting from changes in the exchange rate.

Futures Contracts

A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. The IMB invests in financial futures contracts in its Total Return Fixed Income Pool and its Large Cap Domestic Equity Pool. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. Government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker each day for the fluctuations of the underlying securities or index.

The IMB records futures at fair market value as determined by the exchange on which they are traded. Gains or losses on open futures positions are unrealized. The gains and losses become realized when the position is closed. Interest rate futures may be used to enhance portfolio yields, to hedge an existing position, or as an alternative investment of cash. Stock index futures may be used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows. The market risk associated with holding interest rate and stock index futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Investment risk associated with these future contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions. IMB limits its exposure to these risks by establishing and monitoring limits on the type and total value of futures contracts that may be held. Other risks associated with futures contracts are liquidity risk and credit risk. Liquidity risk arises when there is insufficient trading in a particular futures contract. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. The IMB requires its managers to only utilize futures contracts that are traded on major exchanges or are executed with major dealers. The major exchanges assume the risk that the counterparty will not settle and generally require an initial margin deposit of cash or securities. The net change in the futures contract value is settled daily in cash with the exchange on which they were traded.

As of June 30, 2010, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

Open Positions/Pool	Expiration	Value Upon Entering Contract (Notional Value)	Fair Value at June 30, 2010	Change in Fair Value
Long:				
Large Cap Domestic Equity	Sept 2010	$ 11,787	$ 11,190	$ (597)
Total Return Fixed Income	Sept 2010	74,222	76,000	1,778
Short:				
Total Return Fixed Income	Sept 2010	(335,081)	(341,206)	(6,125)

As of June 30, 2010, the futures contracts had the following open positions denominated in foreign currencies (summarized and expressed in thousands):

Open Positions/Pool	Expiration	Currency	Initial Value in Local Currency (Notional Value)	Fair Value at June 30, 2010 Local Currency	Change in Fair Value USD
Long:					
Total Return Fixed Income	Sept 2010	Euro	• 2,316	• 2,329	$16
18 Euro Bond Future Exchange Rate - 1.2249					

At June 30, 2010, the Large Cap Domestic Equity and the Total Return Fixed Income pools have pledged cash of $1,483,000 and $6,637,000, respectively, and the Total Return Fixed Income Pool had pledged securities of $2,326,000 to cover initial margin requirements on open futures contracts.

Option Contracts

IMB may purchase or write equity, bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser (seller) of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying the contract at an agreed-upon price (strike price) during or at the conclusion of a specified period of time. Premiums paid upon the purchase of an option contract are recorded as an asset and subsequently adjusted to market value. Upon exercising a purchased option, a gain is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, less premiums paid. If the option expires unexercised, a loss is recognized in the amount of the premiums paid for the option. Premiums received when option contracts are written are recorded as a liability and subsequently adjusted to market value. If a written option contract expires unexercised, a gain is recorded equal to the amount of the premiums received. The difference between the premiums received and the amount paid to prompt a closing transaction is also recorded as a gain or loss. When a written option is exercised, a loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, less premiums received. IMB's fixed income managers use written option contracts to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

When writing put options, there is a risk that a loss may be incurred if the market price of the underlying instruments decreases and the option is exercised. This loss is determined by market conditions and cannot be specifically limited. The risk associated with writing call options is the loss of potential profit if the market price of the security increases and the option is exercised. Purchased put or call options bear the risk of loss of the premium paid if market conditions are not favorable to exercise the option. There may also be risk that the value of the option contract does not correlate perfectly with movements of the underlying instrument due to certain market distortions. To limit its exposure to these risks, the IMB has established limits on the value and use of option contracts. The IMB limits its exposure to credit risk by only buying or selling options traded on major exchanges, or executed with major dealers. There is a risk of the inability to enter into a closing transaction if a liquid secondary market does not exist. The IMB maintains sufficient levels of cash or cash equivalents to meet cash flow obligations. The net change in the option contract value is settled daily in cash with the exchange on which they were traded.

The fair value of the options contracts written at June 30, 2010 was ($6,707). Below is a summary of the activity in short (written) option positions in the Total Return Fixed Income Pool (premiums expressed in thousands):

	Puts		Calls	
	Number of Contracts	Premiums (Received)/Paid	Number of Contracts	Premiums (Received)/Paid
Options Outstanding at June 30, 2009	(4,774)	$(4,119)	(3,127)	$(4,427)
Options Written	(9,513)	(3,236)	(3,521)	(2,676)
Options Closed	4,720	1,854	887	622
Options Expired	7,855	2,283	4,910	3,478
Options Outstanding at June 30, 2010	(1,712)	$(3,218)	(851)	$(3,003)

Foreign Exchange Forward Contracts

A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed-upon future date. The IMB's investment managers enter into such contracts to hedge the assets and liabilities related to securities denominated in foreign currency. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month-end. At June 30, 2010, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of $146.6 million, collectively. The fair values of these outstanding contracts were $147.6 million resulting in a change in fair value of approximately $1 million. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the International Equity, Private Real Estate, and the Total Return Fixed Income Pools.

Swaps

Interest rate swaps represent agreements between counterparties to exchange cash flows based on the difference between two interest rates, applied to a notional principal amount for a specified period. Interest rate swaps do not involve the exchange of principal between the parties. Interest is paid or received periodically. Total return swaps represent agreements in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes the income it generates and any capital gains. In total return swaps, the

underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. This is owned by the party receiving the set rate payment. At June 30, 2010, the Total Return Fixed Income Pool had pledged cash of $11,210,000 as collateral for the following open positions in swaps (expressed in thousands):

Counterparty	Credit Rating Moody's	Credit Rating S&P	Notional Value	Maturity Date	Receiving Rate	Receiving Type	Receiving Base	Paying Rate	Paying Type	Paying Base	Change in Fair Value
Interest Rate Swaps											
CS First Boston	Aa2	A	$ 78,080	12/10/2039	0.5%	Floating	3 mo. LIBOR	4.2%	Fixed	n/a	$(7,253)
Greenwich Capital	A2	A	10,560	12/18/2018	0.5%	Floating	3 mo. LIBOR	4.3%	Fixed	n/a	(1,235)
Total Return Swap											
CS First Boston	Aa2	A	81,660	9/10/2010	0.5%	Fixed	n/a	4.4%	Floating	3 mo. LIBOR	3,846
Total Swaps			$170,300								$(4,642)

Security Loans

The IMB is authorized by statute and policy to participate in a securities lending program. The BTI Board has authorized the BTI securities lending program. Through their custodial agents, Bank of New York (BNY) Mellon and Wachovia Global Securities Lending (WGSL), respectively, the IMB and BTI loan securities to various brokers on a temporary basis. The transactions may be terminated at any time with proper notice. Each transaction for U.S. securities is secured by initial collateral of at least 102% of the market value of the securities loaned. For international securities, the collateral is at least 105% of the market value of the securities on loan. The BTI will accept only the following as collateral: cash; U.S. Treasury obligations or U.S. Government Agency obligations; and irrevocable letters of credit issued by banks rated A1 or P1, independent of borrowers. Cash collateral received is invested in a collateral pool. Neither the BTI nor WGSL matches maturities of investments made with cash collateral to maturities of securities loaned. Noncash collateral cannot be pledged or sold unless the borrower defaults. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of the investment. The BTI receives a portion of the income from the investment of the collateral. The IMB and BTI continue to receive interest and dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may

occur during the term of the loans are reflected in the financial statements of the various investment pools. The custodial agents idemnify both the IMB and the BTI against operational errors, loss from borrower failure, which means that the IMB and the BTI will receive the contractual settlement regardless of whether the borrower returns securities loaned. The IMB and the BTI are exposed to cash reinvestment risk, which is the risk that cash reinvestment assets would not be sufficient to cover the liability due the broker. As of June 30, 2010, the IMB and the BTI have no credit risk exposure to borrowers because the amounts the IMB and the BTI owe the borrowers exceed the amounts the borrowers owe the IMB and the BTI.

Both BTI and IMB had cash collateral for securities lent in a pool containing securities from Sigma Finance. On September 30, 2008, Sigma's board of directors determined that Sigma was insolvent and that the entity should begin an orderly winding down of its affairs. Effective that date, Sigma also ceased making payments on its obligations. BNY Mellon allocated to each participant in the pool a pro rata share of the Sigma securities based on their participation as of September 30, 2008. The BTI's and IMB's share of the Sigma loss, as of that date, was approximately $11.7 million and $11.0 million, respectively. In response to this downturn, the BTI decided to begin winding down the securities lending program. This process represents a controlled withdrawal from the securities lending program to reduce risk and minimize losses. The IMB has implemented restrictions on securities lending activity by placing caps on the amount of lending for each of the investment pools it manages. Additionally, the IMB has recorded a reserve for the full $11.0 million and is restricting the distribution of securities lending income for the pools that routinely distribute earnings to participants until the actual loss on Sigma is realized.

At June 30, 2010, the fair value of securities on loan and collateral held by the pools of the IMB and BTI are as follows (expressed in thousands). Of the collateral held, $488 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds. For securities loaned at June 30, 2010, the BTI had no credit risk exposure to borrowers because the amounts the BTI owe the borrowers exceed the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions.

	Fair Value of Securities on Loan	Collateral Held
Large Cap Domestic Equity	$ 76,473	$ 75,108
Non-Large Cap Domestic Equity	89,979	89,931
International Equity	103,525	114,456
Total Return Fixed Income	68,850	68,448
WV Money Market	79,708	81,332
WV Short Term Bond	51,473	52,274
Total	$470,008	$481,549

Commitments

The IMB, with the assistance of its consultant, began implementing its plan to invest in private real estate and private equity partnerships in February of 2008. As of June 30, 2010, the IMB had made commitments to eighteen private equity general partnerships totaling $673 million. The IMB had funded $141.9 million of these commitments at June 30, 2010, leaving unfunded commitments of $531.1 million. The IMB also committed $160 million to five real estate investment funds/partnerships. At June 30, 2010, the IMB had funded $29.8 million of these commitments, leaving unfunded commitments of $130.2 million.

Investment Pools

Schedule of Participation

The participant balances below for the Total Return Fixed Income and the Core Fixed Income pools do not include approximately a $9 million dividend declared by the pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month. The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts (expressed in thousands):

	Large Cap Domestic	Non-Large Cap Domestic	International		
			Qualified	Nonqualified	Equity
Primary Government:					
Revenue Shortfall Reserve Fund	$ —	$ —	$ —	$ —	$ —
Revenue Shortfall Reserve Fund B	31,423	5,957	—	13,978	26,870
Workers' Compensation Old Fund	32,582	6,176	—	13,716	28,650
Workers' Compensation Self-Insured	—	—	—	—	—
Workers' Compensation Uninsured	—	—	—	—	—
Pneumoconiosis	18,271	3,463	—	8,288	15,468
Wildlife Endowment Fund	6,668	1,264	—	3,018	5,648
Prepaid Tuition Trust Fund	20,521	4,790	—	5,001	9,570
Prepaid Tuition Trust Escrow Fund	—	—	—	—	—
Board of Risk & Insurance Management	8,924	1,701	—	4,023	7,792
Public Employees' Insurance Agency	7,297	1,383	—	3,282	6,205
Access WV	320	61	—	588	329
Total Primary Government	126,006	24,795	—	51,894	100,532
Percentage of Ownership	7.35%	6.93%	—%	96.47%	6.67%
Fiduciary Funds:					
Judges' Retirement System	19,725	3,739	8,595	—	17,076
Emergency Medical Services Retirement System	4,588	870	1,978	—	3,991
Public Employees' Retirement System	690,392	147,742	308,228	—	614,649
Teachers' Retirement System	765,922	160,014	331,555	—	679,006
Municipal Police Officers' and Firefighters' Retirement System	—	—	—	—	—
State Police Retirement System	9,960	1,888	4,281	—	8,673
Public Safety Death, Disability and Retirement Fund	75,914	14,390	33,159	—	65,650
Retiree Health Benefit Trust	4,194	795	—	1,901	3,550
Deputy Sheriff's Retirement System	17,477	3,313	7,586	—	15,155
Total Fiduciary Funds	1,588,172	332,751	695,382	1,901	1,407,750
Percentage of Ownership	92.65%	93.07%	100%	3.53%	93.33%
Total Amount	$1,714,178	$357,546	$695,382	$53,795	$1,508,282
Percentage of Ownership	100%	100%	100%	100%	100%

Short-Term Fixed Income	Total Return Fixed Income	Core Fixed Income Qualified	TRS Annuity	Private Equity	Private Real Estate	Hedge Funds	Totals (Memorandum Only)
$ 110	$ 78,316	$ 78,464	$ —	$ —	$ —	$ 21,323	$ 178,213
1,520	80,044	84,302	—	—	—	34,160	278,254
95,318	284,471	320,719	—	—	—	105,546	887,178
8,066	—	—	—	—	—	—	8,066
8,852	—	—	—	—	—	—	8,852
11,646	67,733	70,059	—	—	—	48,895	243,823
65	5,107	3,793	—	3,683	2,036	3,567	34,849
1,000	—	36,319	—	—	—	—	77,201
—	—	—	—	—	—	—	—
3	36,220	37,468	—	—	—	24,003	120,134
—	42,618	44,079	—	—	—	26,031	130,895
—	433	234	—	—	—	—	1,965
126,580	594,942	675,437	—	3,683	2,036	263,525	1,969,430
43.59%	33.20%	43.46%	—%	0.40%	0.41%	23.44%	18.49%
289	14,639	11,203	—	10,900	6,023	10,556	102,745
528	3,460	1,530	—	2,534	1,399	2,454	23,332
15,420	523,407	383,957	—	400,159	217,927	377,752	3,679,633
135,955	470,388	313,598	152,419	437,923	236,319	414,434	4,097,533
3	—	—	—	—	—	—	3
781	7,611	5,650	—	5,498	3,035	5,326	52,703
10,298	56,981	41,998	—	41,959	23,194	40,632	404,175
—	107,386	111,069	—	—	—	—	228,895
527	13,265	9,822	—	9,655	5,334	9,351	91,485
163,801	1,197,137	878,827	152,419	908,628	493,231	860,505	8,680,504
56.41%	66.80%	56.54%	100%	99.60%	99.59%	76.56%	81.51%
$290,381	$1,792,079	$1,554,264	$152,419	$912,311	$495,267	$1,124,030	$10,649,934
100%	100%	100%	100%	100%	100%	100%	100%

Investment Pool Descriptions

Large Cap Domestic

The pool's objective is to exceed, net of external management fees, the S&P 500 Stock Index over three- to five-year periods. Intech Investment Management, LCC and State Street Global Advisors manage assets of this pool. This pool holds equity securities of U.S. companies, exchange-traded stock index futures, and money market funds which are rated AAA by Standard & Poor's and Aaa by Moody's.

Non-Large Cap Domestic

This pool invests in the equities of small- to mid-sized companies and its objective is to exceed, net of external investment fees, the Russell 2500 Index over three- to five-year periods. Assets of this pool are managed by Aronson + Johnson + Ortiz, LP, and Westfield Capital Management. This pool holds equity securities of U.S. companies and money market funds which are rated AAA by Standard & Poor's and Aaa by Moody's.

International Qualified

Funds of this pool are invested in Silchester International Investors' Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code)* may invest in this pool. The value of this investment at June 30, 2010, was $695,712,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Nonqualified

Funds of this pool are invested in Silchester International Investors' Value Equity Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's EAFE Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. This pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). The value of this investment at June 30, 2010, was $53,797,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Equity

This pool invests in the equities of international companies. Brandes Investment Partners, LLC, LSV Asset Management, Pictet Asset Management Limited, and State Street Global Advisors manage assets of this pool. The objective of the International Equity pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods. This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2010, consisted of the following (expressed in thousands):

Currency	Equity Securities	Cash	Total
Australian Dollar	$ 28,001	$ 8	$ 28,009
Brazil Cruzeiros Real	82,624	1,605	84,229
British Pound Sterling	141,897	435	142,332
Canadian Dollar	58,467	59	58,526
Czech Koruna	10,106	5	10,111
Danish Krone	7,115	6	7,121
Egyptian Pound	741	12	753
Euro Currency Unit	242,635	379	243,014
Hong Kong Dollar	137,405	848	138,253
Hungarian Forint	11,994	39	12,033
Indian Rupee	1,938	1	1,939
Indonesian Rupian	4,049	24	4,073
Israeli Shekel	22,323	—	22,323
Japanese Yen	162,122	1,834	163,956
Malaysian Ringgit	10,960	206	11,166
Mexican New Peso	23,959	422	24,381
New Taiwan Dollar	51,582	2,875	54,457
New Turkish Lira	44,480	1	44,481
New Zealand Dollar	1,025	—	1,025
Norwegian Krone	11,570	33	11,603
Pakistan Rupee	923	—	923
Philippine Peso	6,158	15	6,173
Polish Zloty	7,912	5	7,917
Singapore Dollar	29,787	113	29,900
South African Rand	38,417	132	38,549
South Korean Won	103,072	1,207	104,279
Swedish Krona	18,257	45	18,302
Swiss Franc	41,481	417	41,898
Thailand Baht	8,775	180	8,955
Subtotal	1,309,775	10,906	1,320,681
United States Currency	185,968	—	185,968
Total Assets	$1,495,743	$10,906	$1,506,649

Short-Term Fixed Income

This pool is structured as a money market fund to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest any contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. manages this pool. For purposes of evaluating investment returns, net of external investment management fees, this pool is expected to meet or exceed the Salomon ninety-day T-bill index plus fifteen basis points.

Credit Risk

The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted-average credit ratings as of June 30, 2010, of the Short-Term Fixed Income pool's investments (expressed in thousands):

Security Type	Credit Rating		Carrying Value Prior to Repurchase Collateral Included	Reclassed Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P				
Repurchase Agreements	—	—	$ 69,861	$(69,861)	$ —	—%
U.S. Treasury Bills	Aaa	AAA	81,586	45,398	126,984	41.4%
Agency Discount Notes	P-1	A-1	89,973	—	89,973	29.4%
Commercial Paper	P-1	A-1	38,997	—	38,997	12.7%
U.S. Treasury Notes	Aaa	AAA	—	25,572	25,572	8.3%
Agency Notes	Aaa	AAA	24,999	—	24,999	8.2%
Money Market Fund	Aaa	AAA	1	—	1	0.0%
Total Rated Investments			$305,417	$ 1,109	$306,526	100%

Interest Rate Risk

The weighted-average maturity of the investments of the Short-Term Fixed Income pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted-average maturities (WAM) for the various asset types in the Short-Term Fixed Income pool (expressed in thousands):

Security Type	Carrying Value	WAM (Days)
Repurchase Agreements	$ 69,861	1
U.S. Treasury Bills	81,586	32
Commercial Paper	38,997	11
Agency Discount Notes	89,973	48
Agency Notes	24,999	41
Money Market Fund	1	1
Total Assets	$305,417	28

Total Return Fixed Income

The main objective of the Total Return Fixed Income Pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox and Western Asset Management Company, LLP manage this pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital U.S. Universal index.

Credit Risk

The IMB limits the exposure to credit risk in the Total Return Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Total Return Fixed Income pool as of June 30, 2010 (expressed in thousands):

Security Type	Credit Rating		Fair Value	Percent of Assets
	Moody's	S&P		
Rated:				
Agency Mortgage-Backed Securities	Aaa	AAA	$ 200,978	11.2%
Corporate Bonds and Notes	Baa	BBB	572,512	31.8%
Corporate Collateralized Mortgage Obligations	Ba	BB	65,134	3.6%
U.S. Treasury Inflation Protection Bonds	Aaa	AAA	30,997	1.7%
Municipal Bonds	Aa	A	26,929	1.5%
U.S. Treasury Bonds and Notes	Aaa	AAA	165,854	9.2%
Agency Notes	Aa	A	4,004	0.2%
Corporate Asset-Backed Securities	Aaa	AAA	13,213	0.7%
Agency Collateralized Mortgage Obligations	Aaa	AAA	7,258	0.4%
Money Market Funds	Aaa	AAA	268,245	14.9%
Total Rated Assets			1,355,124	75.2%
Unrated:				
Commingled Investment Pool			441,720	24.6%
Corporate Preferred Securities			891	0.1%
Option Contract Purchased Value			1,349	0.1%
Total Investment Securities at Fair Value			$1,799,084	100%

Interest Rate Risk

The IMB monitors interest rate risk of the Total Return Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the Total Return Fixed Income pool (expressed in thousands):

Security Type	Fair Value	Modified Duration (Years)
Agency Mortgage-Backed Securities	$ 200,978	3.8
Commingled Investment Pools	441,720	0.5
Corporate Bonds and Notes	572,512	6.3
Corporate Collateralized Mortgage Obligations	65,134	4.8
U.S. Treasury Inflation Protection Bonds	30,997	13.1
Municipal Bonds	26,929	17.7
U.S. Treasury Bonds and Notes	165,854	3.9
Agency Notes	4,004	2.0
Corporate Asset-Backed Securities	13,213	17.5
Agency Collateralized Mortgage Obligations	7,258	5.2
Money Market Funds	268,245	0.0
Total Investments with Interest Rate Risk	1,796,844	4.1
Investments with no Interest Rate Risk:		
Corporate Preferred Securities	891	
Option Contract Purchased Value	1,349	
Total Investments with no Interest Rate Risk	2,240	
Total Investment Securities at Fair Value	$1,799,084	

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2010, the Total Return Fixed Income pool held $286,583,000 of these securities. This represents approximately 16% of the value of the pool's securities.

Core Fixed Income Pool

The main objective of this core bond pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. and State Street Global manage this pool. This pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital US Aggregate index.

Credit Risk

The IMB limits the exposure to credit risk in the Core Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Core Fixed Income pool as of June 30, 2010 (expressed in thousands):

Security Type	Credit Rating		Fair Value	Percent of Assets
	Moody's	S&P		
Rated:				
Agency Collateralized Mortgage Obligations	Aaa	AAA	$ 245,849	15.8%
Agency Mortgage-Backed Securities	Aaa	AAA	138,487	8.9%
U.S. Treasury Bonds and Notes	Aaa	AAA	334,152	21.4%
Corporate Bonds and Notes	A	A	153,804	9.9%
Corporate Collateralized Mortgage Obligations	Aa	AAA	122,349	7.8%
Money Market Funds	Aaa	AAA	53,413	3.4%
Corporate Asset-Backed Securities	Aaa	AAA	10,679	0.7%
Agency Notes	Aaa	AAA	13,494	0.9%
Municipal Bonds	Aa	A	273	0.0%
Total Rated Investments			1,072,500	68.8%
Unrated:				
Commingled Investment Pool			488,243	31.2%
Total Investment Securities at Fair Value			$1,560,743	100%

Interest Rate Risk

The IMB monitors interest rate risk of the Core Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the Core Fixed Income pool (expressed in thousands):

Security Type	Fair Value	Modified Duration (Years)
Commingled Investment Pools	$ 488,243	4.3
U.S. Treasury Bonds and Notes	334,152	5.8
Agency Collateralized Mortgage Obligations	245,849	3.7
Corporate Bonds and Notes	153,804	5.9
Agency Mortgage-Backed Securities	138,487	3.0
Corporate Collateralized Mortgage Obligations	122,349	3.4
Money Market Funds	53,413	—
Agency Notes	13,494	6.0
Corporate Asset-Backed Securities	10,679	1.7
Municipal Bonds	273	12.0
Total Assets	$1,560,743	4.4

The Core Fixed Income Pool invests approximately $517 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2010, this represents approximately 33 % of the value of the Pool's securities.

TRS Annuity Pool

The Pool holds 100% of investment in an investment contract strictly for the benefit of the Teachers Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring, and was transferred in kind to the IMB on December 10, 2008. The final amount transferred on the contract was $248,293,000. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of $55,058,000. The first scheduled payments were received on May 4, 2009 and 2010. The subsequent payments will be received on May 4, 2011, 2012, and 2013. The contract and the payments include a guaranteed annual interest yield of 4.5%. There is a potential interest rate risk if the market rates increase above the contract guaranteed rate. VALIC is a wholly owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

Private Equity

This pool was established to hold the IMB's investments in various private equity funds. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for these funds. This pool holds limited partnerships, shares of an institutional commingled fund, and a money market fund. The money market is rated AAA by Standards & Poor's and Aaa by Moody's.

Private Real Estate

This pool was established to hold the IMB's investments in private real estate funds. Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for this asset class. United States Treasury Inflation-Protected Securities (TIPS), managed by State Street Global Advisors, were added to the pool in November 2009. Real Estate Investment Trusts, managed by European Investors, Inc., and ING Clarion Real Estate

Securities, were added to the pool in February 2010. The following table provides the weighted-average credit rating in the Private Real Estate Pool as of June 30, 2010, (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Rated:				
U.S. Treasury Inflation Protection Securities	Aaa	AAA	$445,007	90.4%
Money Market Funds	Aaa	AAA	17,088	3.5%
Total Rated Investments			462,095	93.9%
Unrated:				
Real Estate Investment Trusts			9,233	1.9%
Limited Partnerships			19,637	4.0%
Institutional Commingled Fund			962	0.2%
Total Investment Securities at Fair Value			$491,927	100%

Interest Rate Risk

The IMB monitors interest rate risk of the Private Real Estate pool by evaluating the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the Pool (expressed in thousands):

Security Type	Fair Value	Modified Duration (Years)
U.S. Treasury Inflation Protection Securities	$445,007	7.7
Money Market Fund	17,088	—
Total Assets	462,095	7.4
Investments with no Interest Rate Risk:		
Real Estate Investment Trusts	9,233	
Limited Partnerships	19,637	
Institutional commingled fund	962	
Total Investment Securities at Fair Value	$491,927	

Foreign Currency Risk

The pool has real estate investment trusts, shares of an institutional commingled fund, and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of these securities and cash denominated in foreign currencies as of June 30, 2010, consisted of the following:

Currency	Investments	Cash	Total
Australian Dollar	$ 728	$ —	$ 728
British Pound	656	—	656
Canadian Dollar	259	—	259
Euro	1,464	5	1,469
Hong Kong Dollar	1,442	—	1,442
Japanese Yen	899	—	899
Norwegian Krone	32	—	32
Singapore Dollar	410	—	410
Swedish Krona	86	—	86
Swiss Franc	21	—	21
Subtotal	5,997	5	6,002
United States Currency	485,930	—	485,930
Total Assets	$491,927	$ 5	$491,932

Hedge Fund

This pool was established to hold the IMB's investments in hedge funds. Albourne America, LLC has been retained by the IMB to provide consulting services for this asset class. This Pool holds shares in various commingled institutional funds and shares of a money market that is rated AAA by Standard & Poor's and Aaa by Moody's. Since certain funds in the pool have funds denominated in foreign currency, approximately 35% of the pool's market value is indirectly exposed to foreign currency risk.

Consolidated Fund

The Consolidated Fund is a statutory term for the collective investment of those monies not currently needed to fund state governmental operations, participation by local governments, or those monies that are required by other statutory provisions to be invested in the Consolidated Fund. The following seven investment pools and participant-directed accounts comprise the Consolidated Fund and are managed by the BTI.

WV Money Market

This pool consists of the operating funds of the State, funds held by state agencies, and funds from local governments who desire the opportunity to invest with the State. Its purpose is to provide for the investment of all surplus funds and to supply the daily cash needs of the State. The pool is co-managed by JP Morgan Asset Management and UBS Global Asset Management.

Credit Risk

The BTI limits the exposure to credit risk in the WV Money Market pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's.

Additionally, the pool must have at least 15% of its assets in United States Treasury issues. The following table provides information on the credit ratings as of June 30, 2010, of the WV Money Market pool's investments (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value	Percent of Assets
Commercial Paper	P1	A-1	$ 855,844	29.75%
Corporate Bonds/Notes	Aa1	AA	10,000	0.35%
	Aa2	AA	10,000	0.35%
Total Corporate Bonds/Notes			20,000	0.70%
U.S. Agency Bonds	Aaa	AAA	246,990	8.59%
U.S. Treasury Notes	Aaa	AAA	65,153	2.26%
U.S. Treasury Bills	Aaa	AAA	476,670	16.57%
Negotiable Certificates of Deposit	P1	A-1	281,000	9.77%
U.S. Agency Discount Notes	P1	A-1	606,048	21.07%
Money Market Funds	Aaa	AAA	150,026	5.21%
Repurchase Agreements (Underlying Securities)				
U.S. Treasury Notes	Aaa	AAA	101,280	3.52%
U.S. Agency Notes	Aaa	AAA	73,700	2.56%
Total Repurchase Agreements			174,980	6.08%
Total			$2,876,711	100%

Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Money Market pool (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Agency Funds	Component Units	WAM (Days)
Commercial Paper	$ 855,844	$ 687,842	$23,365	$ 7,531	$137,106	18
U.S. Treasury Bills	476,670	383,099	13,013	4,195	76,363	35
Corporate Bonds/Notes	20,000	16,075	546	176	3,203	19
Negotiable Certificates of Deposit	281,000	225,841	7,671	2,473	45,015	45
U.S. Agency Bonds/Notes	246,990	198,504	6,743	2,174	39,569	55
U.S. Agency Discount Notes	606,048	487,080	16,545	5,333	97,090	52
Money Market Funds	150,026	120,576	4,096	1,320	24,034	1
U.S. Treasury Notes	65,153	52,363	1,779	573	10,438	140
Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	101,280	81,400	2,765	891	16,224	1
U.S. Agency Notes	73,700	59,232	2,012	649	11,807	1
Total	$2,876,711	$2,312,012	$78,535	$25,315	$460,849	33
Percentage of Ownership	100%	80.37%	2.73%	0.88%	16.02%	

WV Government Money Market

This pool consists of investors who wish to invest in a pool that restricts its investments to U.S. Government Obligations, U.S. Government Agency Obligations, or repurchase agreements. The pool is managed by UBS Global Asset Management.

Credit Risk

The BTI limits the exposure to credit risk in the WV Government Money Market pool by limiting the pool to U.S. Treasury issues, U.S. Government agency issues, money market funds investing in U.S. Treasury issues and U.S. Government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. Government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings as of June 30, 2010, of the WV Government Money Market Pool's investments (expressed in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Assets
U.S. Agency Bonds	Aaa	AAA	$ 79,532	35.96%
U.S. Treasury Notes	Aaa	AAA	8,526	3.85%
U.S. Treasury Bills	Aaa	AAA	29,982	13.55%
U.S. Agency Discount Notes	P1	A-1	36,465	16.49%
Money Market Funds	Aaa	AAA	78	0.04%
Repurchase Agreements (Underlying Securities):				
U.S. Agency Notes	Aaa	AAA	66,600	30.11%
Total			$221,183	100%

Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Government Money Market Pool (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	WAM (Days)
U.S. Agency Discount Notes	$ 36,465	$ 4,407	$ 29,154	$ 2,904	115
U.S. Agency Bonds/Notes	79,532	9,615	63,586	6,331	30
U.S. Treasury Bills	29,982	3,625	23,971	2,386	72
Money Market Funds	78	10	62	6	1
U.S. Treasury Notes	8,526	1,030	6,817	679	114
Repurchase Agreements (Underlying Securities)					
U.S. Agency Notes	66,600	8,051	53,247	5,302	1
Total	$221,183	$26,738	$176,837	$17,608	44
Percentage of Ownership	100%	12.09%	79.95%	7.96%	

WV Short Term Bond

This pool consists of the operating funds of the State that are not immediately needed to fund the State's liquidity requirements. The pool is managed by Federated Investors.

Credit Risk

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The following table provides information on the credit ratings as of June 30, 2010, of the WV Short Term Bond Pool's investments (expressed in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate Asset-Backed Securities	Aaa	AAA	$ 24,330	5.37%
	Aaa	NR	10,353	2.28%
	Aa3	AAA	1,000	0.22%
	Ba1	CC*	45	0.01%
	Ba2	BB*	219	0.05%
	B1	BBB*	605	0.13%
	B1	CCC*	857	0.19%
	B2	CCC*	366	0.08%
	B3	B*	442	0.10%
	B3	BBB*	247	0.05%
	B3	CCC*	554	0.12%
	Caa1	CCC*	230	0.05%
	Caa2	CCC*	779	0.17%
	NR	AAA	3,538	0.78%
Total Corporate Asset-Backed Securities			43,565	9.60%
Corporate Bonds/Notes	Aaa	AAA	72,549	16.00%
	Aaa	AA	2,060	0.46%
	Aa1	AA	5,430	1.20%
	Aa2	AA	6,650	1.47%
	Aa3	AA	6,722	1.48%
	Aa3	A	13,850	3.05%
	A1	AA	15,485	3.41%
	A1	A	21,098	4.65%
	A2	A	41,093	9.06%
	A3	A	4,158	0.92%
Total Corporate Bonds/Notes			189,095	41.70%
U.S. Agency Bonds	Aaa	AAA	40,180	8.86%
U.S. Treasury Notes	Aaa	AAA	158,423	34.93%
U.S. Agency Mortgage-Backed Securities	Aaa	AAA	4,540	1.00%
Money Market Funds	Aaa	AAA	17,715	3.91%
Total			$453,518	100%

*These securities were not in compliance with BTI Investment Policy at June 30, 2010. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

Interest Rate Risk
The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	Effective Duration (Days)
Corporate Notes	$189,095	$174,403	$378	$14,314	560
U.S. Agency Bonds/Notes	40,180	37,058	80	3,042	288
U.S. Treasury Bonds/Notes	158,423	146,113	317	11,993	583
Corporate Asset-Backed Securities	43,565	40,180	87	3,298	679
U.S. Agency Mortgage-Backed Securities	4,540	4,187	9	344	360
Money Market Funds	17,715	16,339	35	1,341	1
Total	$453,518	$418,280	$906	$34,332	530
Percentage of Ownership	100%	92.23%	0.20%	7.57%	

WV Bank Pool

This pool consists of certificates of deposit purchased by the State through the BidWV auction program. The program purchases CDs from eligible banks and depositories to make state investment funds available for consumer and business loans within the State. The nonnegotiable certificates of deposit in this pool total approximately $60 million, with maturities ranging from July 2010 to April 2011.

Loss Amortization

This pool was created to account for those participant claims on the general operating funds of the State that exceeded the underlying assets of the other pools. This excess of participant claims on net assets over underlying assets occurred as a result of the distribution of earnings to participants in various BTI investment pools, principally the Unrestricted Pool (predecessor to the WV Money Market Pool), in excess of the true investment income experience of the pools, principally in 1987 and 1988.

The Loss Amortization Pool holds a U.S. Treasury strip valued at approximately $187,726,000 that matures on August 15, 2011. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates. However, it is the intent of the BTI to hold this security to maturity (expressed in thousands):

Security Type	Fair Value	Interest Rate Risk: Less than 1	1-5	6-10	More than 10
Primary Government:					
U.S. Treasury Strip	$187,726	$—	$187,726	$—	$—

Loans

This pool is comprised of loans made by the State. The $1 unit price is utilized for accounting purposes only. The State is the sole participant in this pool. This pool primarily holds intergovernmental loans and an interest in a money market mutual fund in the amount of $511,000 with a weighted-average maturity of one day which is rated AAA by Standard & Poor's and Aaa by Moody's. The loans are not rated by any nationally recognized statistical rating organization; however, as there is the potential for defaults, they are exposed to credit risk. For financial statement purposes the intergovernmental loans are reflected in the Advances to Component Units line on the Statement of Net Assets. The BTI addresses the credit risk by evaluating the need for and establishing a reserve for uncollectible loans.

Reserve

This pool is composed of an interest-bearing depository account with funds totaling approximately $30,137,000 in a bank depository. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net asset levels do not fall below $0.9975. The State is the sole participant in this pool.

Participant-Directed Accounts

The BTI also maintains pools for individual state agencies with specific investment needs. These pools include the following: Municipal Bond Commission, School Fund, and Economic Development Authority–American Woodmark (EDA–AW). Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

Municipal Bond Commission

This account only holds securities issued by the U.S. Treasury or government agencies. The securities are purchased with specific maturities timed to match bond interest or principal payments.

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission account arising from increasing interest rates. The following table provides information on the weighted-average maturities for the various asset types in the Municipal Bond Commission account (expressed in thousands):

Security Type	Carrying Value	WAM (Days)
U.S. Treasury Bills	$ 2,603	1
U.S. Treasury Strips	4,749	1,058
U.S. Treasury Bonds/Notes	5,122	2,514
State and Local Government Securities	1,402	973
Total Assets	$13,876	1,388

School Fund

The School Fund account holds an interest in a money market mutual fund valued at $1,393,000 with a weighted-average maturity of one day. The mutual fund is rated AAA by Standard & Poor's and Aaa by Moody's as of June 30, 2010 (expressed in thousands):

		Interest Rate Risk			
Security Type	Fair Value	Less than 1	1-5	6-10	More than 10
Governmental Activities:					
Money Market	$1,393	$1,393	$—	$—	$—

EDA-AW

This account holds a U.S. Treasury bond valued at $1,873,000 that matures on August 15, 2023. The Economic Development Authority's investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase (expressed in thousands):

		Interest Rate Risk			
Security Type	Fair Value	Less than 1	1-5	6-10	More than 10
Component Unit Activities:					
U.S. Treasury Bond	$1,873	$—	$—	$—	$1,873

This schedule reconciles disclosed investment values to net asset values of the pools as reflected in the accompanying financial statements, at IMB and BTI at June 30, 2010 (expressed in thousands):

	Disclosed Value	Pool Receivables/ (Payables)	Net Asset Values
IMB Pools			
Large Cap Domestic Equity	$ 1,714,864	$ (686)	$ 1,714,178
Non-Large Cap Domestic Equity	341,987	15,559	357,546
International Qualified	695,712	(330)	695,382
International Nonqualified	53,797	(2)	53,795
International Equity*	1,495,757	12,525	1,508,282
Short-Term Fixed Income	305,417	(15,021)	290,396
Total Return Fixed Income*	1,799,084	(7,005)	1,792,079
Core Fixed Income	1,560,743	(6,479)	1,554,264
TRS Annuity Pool	152,429	(10)	152,419
Private Equity	912,453	(142)	912,311
Private Real Estate*	491,927	3,340	495,267
Hedge Fund	1,112,798	11,232	1,124,030
BTI Pools			
WV Money Market Pool	2,876,711	(56,556)	2,820,155
WV Government Money Market Pool	221,183	82	221,265
WV Short-Term Bond Pool	453,518	2,179	455,697
WV Bank Pool	60,000	82	60,082
Loss Amortization Pool	187,726	—	187,726
Loan Pool	132,591	327	132,918
Municipal Bond Commission Account	13,876	40	13,916
School Fund Account	1,393	—	1,393
Reserve Pool	30,137	10	30,147
EDA - AW	1,873	34	1,907
Total Pooled Investments	14,615,976	(40,821)	14,575,155
Less EDA	149,155	—	149,155
Less MBC	13,876	40	13,916
Less Nonnegotiable Certificates of Deposits	60,000	82	60,082
Less Reserve Pool in Depository	30,137	10	30,147
Total for Disclosure	$14,362,808	$ (40,953)	$14,321,855

*Pools had cash denominated in foreign currencies.

Outside Investments

In addition to the amounts invested with the IMB above, certain funds are permitted to invest bond proceeds with a third-party trustee named in the bond indenture. The following information relates to these outside investments.

Credit Risk

The following table provides information on the credit ratings of the State's third-party trustee investments as of June 30, 2010 (expressed in thousands):

		Credit Rating	
Security Type	**Fair Value**	**S&P**	**Moody's**
Primary Government:			
Guaranteed Investment Contracts	$ 5,758	AAA	Aa3
	18,990	Unrated	Unrated
Money Market/Mutual Funds	5,320	AAA	Aaa
	247,453	AAAm	Aaa
	26,197	AAAm	Unrated
	840	AAAm-G	Aaa
	425	Unrated	Unrated
	434	Unrated	A
Repurchase Agreement	71,181	AAA	Aaa
U.S. Government and Agency Obligations	97,975	AAAm	Aaa
	$ 474,573		
Pension & Private Purpose Trust Funds:			
Money Market/Mutual Funds	$1,446,423	Unrated	Unrated
Component Units:			
Common and Preferred Stocks	$ 85,561	Unrated	Unrated
Corporate Bonds	56	A-	Aa3
	243	AA-	A1
	133	AA-	A2
	157	AA-	Aa3
	1,558	AA+	Aa2
	27,910	Unrated	Unrated
Corporate Stock	141	Unrated	Unrated
Fixed Income Fund	5,765	AA+	Aa1
Guaranteed Investment Contracts	7,947	AA	Aa
	3,192	BB+	B3
Money Market/Mutual Funds	1,282	A	A2
	2,492	A	Unrated
	100,056	AAA	Unrated
	348,936	AAAm	Aaa
	83	AAAm-G	Aaa
	2,400	Am	Unrated
	48,752	Unrated	Unrated
	1,876	Unrated	Aa1
	8,783	Unrated	Aa3
Mortgages Held for Investment	17,205	Unrated	Unrated
Other Investments	10,109	AA	Unrated
	104	AAA	Aaa
	201	AAA	Unrated
	82,046	Unrated	Unrated
Repurchase Agreements	1,532	AAA	AAA
	12,533	Unrated	Unrated
	5,969	AAA	aaa
State and Local Government Securities	1,400	AA3	AA-
	216	Unrated	A3
	7,475	A+	A1
U.S. Government and Agency Obligations	93,233	AAA	aaa
	35,764	AAA	Aaa
	15	AAAm	Aaa
	94,321	Unrated	Unrated
	$1,009,446		

Concentration of Credit Risk

As of June 30, 2010, the State had investment balances with the following issuers which are greater than or equal to 5% of the respective third-party trustee investment balance (expressed in thousands):

Security Type	Fair Value	Issuer	Percentage of Concentration
Primary Government:			
Repurchase Agreement	$71,181	DEPFA Bank, PLC	15.0%
Component Units:			
Common and Preferred Stocks	76,102	Invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available	7.5%
U.S. Government & Agency Obligations	50,821	Federal Home Loan Mortgage Corporation Bonds	5.0%
	56,067	Federal National Mortgage Association	5.5%

Interest Rate Risk

The following table provides information on the interest rate risk of the State's third-party trustee investments (expressed in thousands):

		Interest Rate Risk			
Security Type	Fair Value	Less than 1	1-5	6-10	More than 10
Primary Government:					
Guaranteed Investment Contracts	$ 24,748	$ —	$ 2,888	$21,860	$ —
Money Market/Mutual Funds	280,669	280,669	—	—	—
Repurchase Agreements	71,181	—	—	—	71,181
U.S. Government & Agency Obligations	97,975	97,975	—	—	—
Total Primary Government	474,573	378,644	2,888	21,860	71,181
Pension & Private Purpose Trust Funds:					
Money Market/Mutual Funds	1,446,423	1,446,423	—	—	—
Component Units:					
Common and Preferred Stocks	85,561	76,102	—	—	9,459
Corporate Bonds	30,057	27,910	1,140	951	56
Corporate Stock	141	141	—	—	—
Fixed Income Fund	5,765	876	2,744	1,672	473
Guaranteed Investment Contracts	11,139	3,192	7,947	—	—
Money Market/Mutual Funds	514,660	501,481	8,695	2,869	1,615
Mortgages Held for Investment	17,205	—	—	—	17,205
Other Investments	92,460	80,284	12,176	—	—
Repurchase Agreements	20,034	18,502	739	793	—
State and Local Government Securities	9,091	—	7,475	1,616	—
U.S. Government & Agency Obligations	223,333	47,628	70,114	18,841	86,750
Total Component Units	1,009,446	756,116	111,030	26,742	115,558
Total Outside Investments	$2,930,442	$2,581,183	$113,918	$48,602	$186,739

Reconciliation to Financial Statements

The following schedule reconciles the amount disclosed as deposits and investments included in this footnote to cash and cash equivalents, investments, and restricted cash and investments in the Statement of Net Assets at June 30, 2010 (expressed in thousands):

Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Assets	$ 4,850,544
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets	532,456
Add:	
Restricted Cash and Cash Equivalents as Reported on the Statement of Net Assets	349,259
Certificates of Deposit Disclosed as Deposits	19,500
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(5,305,998)
Cash with U.S. Treasury for Unemployment Programs	(95,401)
Reported Value of Deposits as Disclosed in this Footnote	$ 350,360

Investments:

Investments as Reported on the Statement of Net Assets	$ 1,638,283
Investments as Reported on the Statement of Fiduciary Net Assets	10,132,604
Add:	
Restricted Investments as Reported on the Statement of Net Assets	199,854
Cash Equivalents and Restricted Cash Disclosed as Investments	5,305,998
Less:	
Certificates of Deposit Disclosed as Deposits	(19,500)
Accrued Interest Disclosed as Investments	(4,942)
Reported Value of Investments as Disclosed in this Footnote	$17,252,297

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NOTE 5

RECEIVABLES
(Expressed in Thousands)

Receivables at June 30, 2010, consisted of the following:

	Governmental Funds				
	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental	Total Governmental Receivables
Taxes	$416,837	$ 55,834	$ —	$ —	$472,671
Accounts	157,275	81,401	37,319	10,736	286,731
Loans	4,490	—	—	—	4,490
Accrued Interest	4,057	—	—	57	4,114
Total Receivables	582,659	137,235	37,319	10,793	768,006
Allowance for Doubtful Accounts	(87,300)	—	—	(1,927)	(89,227)
Receivables, Net	$495,359	$137,235	$37,319	$ 8,866	$678,779
As reported on the Fund Financial Statements					
Current Receivables, Net	$495,359	$137,235	$37,319	$ 8,866	$678,779
Noncurrent Receivables, Net	—	—	—	—	—
Receivables, Net	$495,359	$137,235	$37,319	$ 8,866	$678,779

	Fiduciary Funds		
	Pension and Other Employee Benefit Trust Funds	SMART 529	Agency Funds
Accounts	$ 1,123	$ —	$ —
Loans	11,838	—	—
Leases	—	—	—
Contributions Receivable	44,591	2,236	—
Accrued Interest	—	—	5
Total Receivables	57,552	2,236	5
Allowance for Doubtful Accounts	(2,630)	—	—
Receivables, Net	$ 54,922	$2,236	$ 5
As reported on the Fund Financial Statements			
Current Receivables, Net	$54,922	$2,236	$ 5
Noncurrent Receivables, Net	—	—	—
Receivables, Net	$ 54,922	$2,236	$ 5

Enterprise Funds									
West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise	Total Enterprise	Internal Service Funds
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
26,984	384	20,769	53,867	19	25,942	1,733	2,715	132,413	4,984
—	441,894	—	—	448,134	—	—	68,054	958,082	—
—	—	—	—	1,188	—	—	157	1,345	—
26,984	442,278	20,769	53,867	449,341	25,942	1,733	70,926	1,091,840	4,984
—	—	—	—	—	(4,660)	(387)	—	(5,047)	—
$26,984	$442,278	$20,769	$53,867	$449,341	$21,282	$1,346	$70,926	$1,086,793	$4,984
$26,984	$ 24,312	$20,769	$53,867	$ 17,989	$21,282	$1,346	$ 4,188	$ 170,737	$4,984
—	417,966	—	—	431,352	—	—	66,738	916,056	—
$26,984	$442,278	$20,769	$53,867	$449,341	$21,282	$1,346	$70,926	$1,086,793	$4,984

Discretely Presented Component Units								
Economic Development Authority	Housing Development Fund	Parkways, Economic Development & Tourism Authority	Water Development Authority	Higher Education	Regional Jail Authority	School Building Authority	Other Component Units	Total Discretely Presented Component Units
$ —	$886,114	$2,182	$ 106	$ 97,551	$10,855	$1,650	$1,584	$1,000,042
163,248	64,937	—	247,809	68,454	—	—	7,316	551,764
41,955	—	—	—	—	—	—	—	41,955
—	—	—	—	—	—	—	—	—
5,915	318	38	3,562	—	—	470	—	10,303
211,118	951,369	2,220	251,477	166,005	10,855	2,120	8,900	1,604,064
(5,800)	(51,877)	—	—	(25,696)	—	—	—	(83,373)
$205,318	$899,492	$2,220	$251,477	$140,309	$10,855	$2,120	$8,900	$1,520,691
$ 15,120	$ 6,761	$2,220	$ 9,287	$ 89,032	$10,855	$2,120	$1,913	$ 137,308
190,198	892,731	—	242,190	51,277	—	—	6,987	1,383,383
$205,318	$899,492	$2,220	$251,477	$140,309	$10,855	$2,120	$8,900	$1,520,691

Taxes Receivable

Taxes receivable at June 30, 2010, consisted of the following:

	Governmental Funds		
	General	Transportation	Total
Taxes Receivable:			
Consumer Sales and Use	$122,161	$ —	$122,161
Personal Income	139,727	—	139,727
Severance	63,105	—	63,105
Business and Occupation	10,241	—	10,241
Automobile Privilege Taxes	—	10,435	10,435
Gasoline Excise	—	34,808	34,808
Registration Fees	—	10,591	10,591
Insurance	33,260	—	33,260
Corporate Net Income	22,912	—	22,912
Other	25,431	—	25,431
	416,837	55,834	472,671
Allowance for Refunds	(22,706)	—	(22,706)
Total	$394,131	$55,834	$449,965

Leases Receivable

The Economic Development Authority has entered into long-term direct financing lease agreements with commercial entities for land, buildings, and equipment. A schedule of future lease amounts due to the Economic Development Authority is as follows:

Year Ended June 30	Direct Financing Leases Amounts Due
2011	$ 3,969
2012	4,383
2013	4,420
2014	4,420
2015	3,579
2016-2033	36,727
Total Minimum Amount Due	57,498
Less amount Representing Interest	(15,543)
Present Value of Minimum Lease Amount Due	$ 41,955

BrickStreet Mutual Insurance Company Surplus Note

In accordance with the provisions set forth in §23-2C-24 (a) of the West Virginia Code, a surplus note agreement between the State of West Virginia and the employers' mutual insurance company, BrickStreet Mutual Insurance Company (BrickStreet), was established as of January 1, 2006. For value received, BrickStreet was to repay the State of West Virginia the principal sum of $200 million dollars, plus interest and reasonable costs of collection of any overdue payment by the maturity date of the note, which is June 30, 2016. The purpose of the surplus note was to provide initial surplus to the issuer until such time as adequate retained surplus was earned or alternative nongovernmental sources of capital were available to allow the issuer to operate as a commercially sound, independent provider of workers' compensation insurance in the State of West Virginia, within a competitive environment. BrickStreet was permitted to repay all or any part of the principal, subject to the approval of the Insurance Commissioner, at any time without penalty or premium.

In accordance with the provisions of the surplus note agreement, an actuarial valuation of the claims liabilities that BrickStreet had assumed for dates of injury occurring between July 1, 2005, and December 31, 2005, was made. As the final step in the satisfaction of the BrickStreet surplus note obligation, the Insurance Commissioner adjusted the carrying value of the surplus note to $43.5 million to reflect the results of the actuarial analysis and the true-up provisions required by the note. On September 25, 2009, BrickStreet remitted the remaining surplus note payment to the State, thereby discharging the obligation in its entirety. From January 1, 2009, until the date on which the note was repaid in full, unpaid amounts under the note earned interest at a fluctuating rate per annum that was equal to the Prime Rate of interest for the period in question. For the last six months of FY 2010, the interest rate charged was 3.25%. See Note 14 for more information on the privatization of the workers' compensation function.

NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2010 (expressed in thousands):

	Due From		
	Governmental		
Due To	General	Transportation	Other Nonmajor
Governmental Funds:			
General	$ —	$ 178	$ 105
Transportation	140	—	142
Tobacco Settlement Finance Authority	687,649	—	—
Other Nonmajor Governmental	90	—	—
Total Governmental Funds	687,879	178	247
Proprietary Funds:			
West Virginia Lottery	—	—	—
Water Pollution Control Revolving Fund	—	—	49
Unemployment Compensation	304	62	12
Public Employees' Insurance Agency	2,543	1,800	6
Board of Risk and Insurance Management	1	—	—
Other Nonmajor Proprietary	1,440	104	85
Internal Service Funds	5,464	320	847
Total Proprietary Funds	9,752	2,286	999
Fiduciary Funds:			
Pension and Employee Benefit Trust Funds	324,211	59,761	17,685
Discretely Presented Component Units			
Major:			
Parkways, Economic Development and Tourism Authority	—	—	—
Water Development Authority	—	—	—
Higher Education	25,539	31	37
Regional Jail Authority	3	—	—
School Building Authority	—	—	—
Nonmajor:			
Educational Broadcasting Authority	211	—	—
Racing Commission	—	—	—
Total Discretely Presented Component Units	25,753	31	37
Total	$1,047,595	$62,256	$18,968

The general fund Due To Other Funds includes $180 million to the Public Employees' Retirement System (see the Commitments section of Note 15) and $25.5 million to Higher Education for educational programs. The general fund Due From Other includes $13.9 million from the Alcohol Beverage Control Administration for ten-year retail liquor licenses, which can be paid over five years.

The Public Employees' Insurance Agency includes $22 million due from the Retiree Health Benefit Trust for benefits paid on its behalf.

The Tobacco Settlement Finance Authority records a Due From the general fund for the deferred revenue related to the sale of MSA tobacco revenues.

Due From											
	Proprietary										
West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor	Internal Service Funds	Pension and Other Employee Benefit Trust Funds	Discretely Presented Component Units	Total
$240,083	$ —	$273	$ —	$ 112	$ 1	$13,996	$1,788	$ 1	$ 815	$ 257,352
—	—	—	—	—	—	—	4	—	59	345
—	—	—	—	—	—	—	—	—	—	687,649
1,000	58	—	—	76	—	—	—	—	1	1,225
241,083	58	273	—	188	1	13,996	1,792	1	875	946,571
—	—	—	—	2	—	—	—	—	—	2
—	—	—	—	—	—	—	—	—	—	49
2	—	—	—	—	—	—	—	—	210	590
—	—	154	—	—	—	—	134	22,105	123	26,865
—	—	—	—	—	—	—	2	—	—	3
—	—	—	—	3	—	3	7	9	54	1,705
42	—	—	—	333	11	17	234	54	239	7,561
44	—	154	—	338	11	20	377	22,168	626	36,775
1,481	283	21	—	444	183	801	4,019	—	129,720	538,609
—	—	—	—	6	—	—	—	—	—	6
—	—	—	2,045	—	—	—	—	—	—	2,045
—	—	—	—	440	—	—	30	—	—	26,077
—	—	—	—	—	—	—	—	—	—	3
—	—	—	—	5	—	—	—	—	—	5
—	—	—	—	10	—	—	—	—	—	221
—	—	—	—	—	—	—	1	—	—	1
—	—	—	2,045	461	—	—	31	—	—	28,358
$242,608	$341	$448	$2,045	$1,431	$195	$14,817	$6,219	$22,169	$131,221	$1,550,313

Of the $240 million due from the Lottery, $111 million was unappropriated surplus funds. Other amounts due from the Lottery were appropriated by the Legislature subsequent to year-end and include amounts due to Higher Education ($5 million), Senior Services ($18 million), the School Construction Fund ($37 million) and various other small agencies.

*The Retiree Health Benefit Trust (RHBT) has not recorded a Due From equal to the Due To recorded at the agencies participating in the plan. GASB 43 requires that only the revenue/receivable that has a reasonable expectation of collection be recorded at RHBT, whereas GASB 45 requires each agency to record its contractually owed liability to RHBT. RHBT has a Due From of $2.3 million, while the agencies have recorded a Due To RHBT of $356 million related to these receivables and obligations.

NOTE 7

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2010, consisted of the following (expressed in thousands):

	Transfers From			
	Governmental			
Transfers To	General	Transportation	Tobacco Settlement Finance Authority	Other Nonmajor
Governmental Funds:				
General	$ —	$ —	$22,518	$ 5,096
Transportation	50,044	—	—	202
Other Nonmajor Governmental	63,754	1,140	—	24
Total Governmental Funds	113,798	1,140	22,518	5,322
Proprietary Funds:				
Water Pollution Control Revolving Fund	—	—	—	34,164
Workers' Compensation Fund	187,410	—	—	—
West Virginia Infrastructure and Jobs Development Council	454	—	—	—
Other Nonmajor Proprietary	15,697	—		—
Internal Service Funds	2,761	—	—	—
Total Proprietary Funds	206,322	—	—	34,164
Total	$320,120	$1,140	$22,518	$39,486

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of $22.5 million to the General Fund. The West Virginia Lottery transferred, as mandated by State Code, $40 million to the West Virginia Infrastructure and Jobs Development Council and $445 million to the general fund. The general fund transferred $24 million to the West Virginia Infrastructure and Jobs Development Council and $18.8 million to the Economic Development Project Fund for bond debt service. The General Fund also transferred certain dedicated taxes, in the amount of $187.4

Transfers From					
Proprietary					
West Virginia Lottery	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council	Other Nonmajor	Internal Service Funds	Total
$445,033	$ —	$ —	$49,784	$ 204	$522,635
—	—	—	—	—	50,246
10,240	1,202	—	—	5,099	81,459
455,273	1,202	—	49,784	5,303	654,340
—	—	2,122	—	—	36,286
11,000	—	—	—	—	198,410
40,000	—	—	—	—	40,454
—	—	1,629	—	—	17,326
10,775	—	—	—	—	13,536
61,775	—	3,751	—	—	306,012
$517,048	$1,202	$3,751	$49,784	$5,303	$960,352

million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005. Of the $50 million transferred from the General Fund to Transportation, $27.3 million is for the motor fuel excise tax shortfall, $14 million is allocated sales tax, and the balance is miscellaneous legislative appropriations. The Water Pollution Revolving Fund received $34.2 million in American Recovery and Reinvestment Act of 2009 grants from the West Virginia Department of Environmental Protection. All other transfers are made to finance various programs as authorized by the Legislature.

NOTE 8

RESTRICTED ASSETS

Restricted assets are held by special revenue funds, enterprise funds, internal service funds, and discretely presented component units, primarily for the repayment of future long-term obligations and benefits payments. The restricted assets, composed of cash, investments, and other similar assets at June 30, 2010, are as follows (expressed in thousands):

	Cash	Investments	Other	Totals
Special Revenue:				
Environmental Programs	$ 409	$ —	$ —	$ 409
Public Service Commission	1,525	—	—	1,525
	1,934	—	—	1,934
Enterprise:				
West Virginia Lottery	8,355	—	—	8,355
Public Employees' Insurance Agency	7,739	—	—	7,739
Board of Risk and Insurance Management	13,991	25,843	185,448	225,282
	30,085	25,843	185,448	241,376
Internal Service:				
State Building Fund	74,587	—	—	74,587
Travel Management	3,591	—	—	3,591
	78,178	—	—	78,178
Discretely Presented Component Units:				
Economic Development Authority	9,513	—	—	9,513
Housing Development Fund	171,796	131,343	852,717	1,155,856
Parkways, Economic Development, and Tourism Authority	3,768	41,136	—	44,904
Water Development Authority	18,106	1,532	228,901	248,539
Regional Jail Authority	619	—	—	619
Educational Broadcasting Authority	—	—	267	267
Solid Waste Management Board	1,769	—	2,757	4,526
Racing Commission	33,491	—	758	34,249
	239,062	174,011	1,085,400	1,498,473
Total	$349,259	$199,854	$1,270,848	$1,819,961

Special Revenue Funds

Environmental Protection has restricted cash held in trust "to protect human health and the environment, in accordance with the terms of the State and Federal Consent Decrees..." The Public Service Commission (PSC) has restricted cash held in trust in accordance with PSC General Order 250-T. The funds are for Telecommunications Relay Services under the Americans with Disabilities Act.

Enterprise Funds

The West Virginia Lottery's assets are restricted to pay the deferred prize claims awarded on an annuity basis and for the new Lottery building. The Board of Risk and Insurance Management's (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM's other restricted assets include advance deposits with insurance companies of $185 million and $522 thousand in receivables. The Public Employees' Insurance Agency's restricted assets are the premium stabilization fund consisting of accumulated dividends and interest on optional life insurance policies to defray future premium increases.

Internal Service Funds

The State Building Fund's restricted assets are held in trust primarily for the costs of asbestos removal and other capital projects. Travel Management Fund's restricted assets are held in escrow for capital outlay.

Discretely Presented Component Units

The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Fund's cash and cash equivalents assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer only. The investments are primarily United States government and agency obligations, investment agreements, and certificates of deposit with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the Housing Development Fund of $853 million include certain foreclosed properties, properties developed for flood activities, other land for restricted housing purposes, and miscellaneous receivables. These assets are restricted subject to the provisions of bond resolutions, or state or federal regulations. The Parkways, Economic Development, and Tourism Authority's assets are restricted for construction, turnpike maintenance and operation, and debt service. The cash and investment assets of the Water Development Authority are restricted as part of applicable bond covenants and the other restricted assets are $229 million restricted for revenue bonds receivable net of unamortized discount and accrued interest receivable. The Regional Jail Authority's assets are restricted because of a safekeeping arrangement with inmates. The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements. The West Virginia Racing Commission's cash is restricted for the unclaimed winning tickets and other trust holdings which are mandated by West Virginia Code.

NOTE 9

CAPITAL ASSETS

Governmental Activities
(Expressed in Thousands)

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 998,924	$ 35,582	$ (50)	$ 1,034,456
Construction in Progress	1,123,944	534,093	(472,053)	1,185,984
Total Capital Assets, Not Being Depreciated	2,122,868	569,675	(472,103)	2,220,440
Capital Assets, Being Depreciated:				
Building and Improvements	1,001,312	71,070	(8,973)	1,063,409
Equipment	369,841	42,649	(20,859)	391,631
Infrastructure	9,728,415	448,803	—	10,177,218
Library Holdings	17,115	432	(115)	17,432
Land Improvements	15,541	3,044	(9)	18,576
Intangibles	26,468	15,733	—	42,201
Total Capital Assets, Being Depreciated	11,158,692	581,731	(29,956)	11,710,467
Less Accumulated Depreciation for:				
Building and Improvements	(379,267)	(26,161)	4,109	(401,319)
Equipment	(261,216)	(29,622)	19,829	(271,009)
Infrastructure	(4,163,241)	(298,547)	—	(4,461,788)
Library Holdings	(15,836)	(486)	98	(16,224)
Land Improvements	(7,179)	(894)	1	(8,072)
Intangibles	(6,246)	(5,576)	—	(11,822)
Total Accumulated Depreciation	(4,832,985)	(361,286)	24,037	(5,170,234)
Total Capital Assets Being Depreciated, Net	6,325,707	220,445	(5,919)	6,540,233
Governmental Activities Capital Assets, Net	$ 8,448,575	$ 790,120	$(478,022)	$ 8,760,673

Depreciation expense was charged to functions as follows:

Legislative	$ 8
Judicial	335
Executive	5,814
Administration	22,407
Commerce	3,616
Environmental Protection	180
Employment Programs	66
Education	1,861
Health and Human Resources	3,410
Military Affairs and Public Safety	8,157
Revenue	1,189
Transportation	313,995
Regulatory Boards and Commissions	248
Total Governmental Activities Depreciation Expense	$361,286

Business-type Activities
(Expressed in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 611	$ 1,434	$ —	$ 2,045
Total Capital Assets, Not Being Depreciated	611	1,434	—	2,045
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,831	20,174	—	23,005
Equipment	23,049	524	(601)	22,972
Intangibles	7,670	1,060	—	8,730
Total Capital Assets, Being Depreciated	33,550	21,758	(601)	54,707
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,779)	(103)	—	(1,882)
Equipment	(18,488)	(2,123)	458	(20,153)
Intangibles	(1,590)	(1,699)	—	(3,289)
Total Accumulated Depreciation	(21,857)	(3,925)	458	(25,324)
Total Capital Assets, Being Depreciated, Net	11,693	17,833	(143)	29,383
Business-type Activities Capital Assets, Net	$ 12,304	$19,267	$(143)	$ 31,428

Depreciation expense was charged to functions as follows:

West Virginia Lottery	$1,840
Public Employees' Insurance Agency	1,806
Alcohol Beverage Control Administration	152
Correctional Industries	127
Total Business-type Activities Depreciation Expense	$3,925

Note: The restatement of beginning balances in this note is in accordance with GASB 51 and includes some amounts previously recorded in equipment prior to implementation.

Discretely Presented Component Units

(Expressed in Thousands)

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Discrete Component Unit Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 168,100	$ 3,286	$ (5,282)	$ 166,104
Construction in Progress	141,378	118,055	(146,810)	112,623
Total Capital Assets, Not Being Depreciated	309,478	121,341	(152,092)	278,727
Capital Assets, Being Depreciated:				
Building and Improvements	2,346,693	150,920	(3,018)	2,494,595
Equipment	374,437	43,816	(37,219)	381,034
Infrastructure	1,137,924	22,367	(47)	1,160,244
Library Holdings	143,522	8,994	(573)	151,943
Land Improvements	55,663	7,676	(2)	63,337
Intangibles	67,562	13,600	(1,087)	80,075
Total Capital Assets, Being Depreciated	4,125,801	247,373	(41,946)	4,331,228
Less Accumulated Depreciation for:				
Building and Improvements	(654,014)	(53,792)	1,226	(706,580)
Equipment	(253,760)	(26,428)	17,756	(262,432)
Infrastructure	(671,079)	(35,251)	—	(706,330)
Library Holdings	(115,316)	(7,128)	539	(121,905)
Land Improvements	(19,206)	(3,581)	1	(22,786)
Intangibles	(59,465)	(7,309)	502	(66,272)
Total Accumulated Depreciation	(1,772,840)	(133,489)	20,024	(1,886,305)
Total Capital Assets Being Depreciated, Net	2,352,961	113,884	(21,922)	2,444,923
Discrete Component Unit Activities Capital Assets, Net	$ 2,662,439	$ 235,225	$(174,014)	$ 2,723,650

Depreciation expense charged to functions as follows:

Economic Development Authority	$ 1,030
Parkways, Economic Development and Tourism Authority	31,160
Water Development Authority	66
Higher Education	93,701
Educational Broadcasting Authority	901
Jobs Investment Trust	26
State Rail Authority	1,591
Solid Waste Management Board	4
Regional Jail Authority	4,899
Racing Commission	3
Public Defenders Corporation	85
School Building Authority	23
Total Discrete Component Unit Depreciation Expense	$ 133,489

NOTE 10

LONG-TERM OBLIGATIONS

Primary Government:

Long-term obligations at June 30, 2010, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities	Balance June 30, 2009, as Restated	Additions	Reductions	Other Changes	Balance June 30, 2010	Amount Due Within One Year
General Obligation Bonds:						
Transportation	$ 371,105	$ —	$ (31,590)	$ —	$ 339,515	$ 33,165
Premium/(Discount)	24,184	—	(1,633)	—	22,551	1,586
Total Transportation	395,289	—	(33,223)	—	362,066	34,751
WV Infrastructure and Jobs Development Council	269,273	4,608	(13,740)	—	260,141	14,125
Premium/(Discount)	732	—	(11)	—	721	11
Total WV Infrastructure and Jobs Development Council	270,005	4,608	(13,751)	—	260,862	14,136
Total General Obligation Bonds	665,294	4,608	(46,974)	—	622,928	48,887
Revenue Bonds:						
Transportation	165,160	—	(20,845)	—	144,315	21,520
Premium/(Discount)	7,135	—	(1,019)	—	6,116	1,019
Total Transportation	172,295	—	(21,864)	—	150,431	22,539
Tobacco Settlement Authority	890,287	7,156	(10,070)	—	887,373	17,110
Economic Development Project Fund	206,480	—	(7,890)	—	198,590	8,175
Premium/(Discount)	(1,048)	—	70	—	(978)	(70)
Total Economic Development Project Fund	205,432	—	(7,820)	—	197,612	8,105
Education, Arts, Sciences, & Tourism Fund	16,805	—	(9,115)	—	7,690	7,690
Total Revenue Bonds	1,284,819	7,156	(48,869)	—	1,243,106	55,444
Capital Leases - Governmental	307,862	12,505	(13,959)	(250)	306,158	11,335
Capital Leases - Internal Service Funds	10,604	15,482	(3,501)	(1,195)	21,390	4,508
Total Capital Leases (see Note 11)	318,466	27,987	(17,460)	(1,445)	327,548	15,843
Notes Payable	4,310	6,641	(2,337)	(19)	8,595	3,242
Other Obligations:						
Accrued and Other Liabilities (see Note 15)	961,989	388,060	(401,570)	—	948,479	590,842
Compensated Absences	97,473	2,626	(1,895)	—	98,204	56,189
Net Pension Obligation (see Note 12)	69,742	8,232	—	—	77,974	—
Total Other Obligations	1,129,204	398,918	(403,465)	—	1,124,657	647,031
Total Governmental Activities Long-Term Obligations	$3,402,093	$445,310	$(519,105)	$(1,464)	$3,326,834	$770,447

Business-type Activities	Balance June 30, 2009 as Restated	Additions	Reductions	Balance June 30, 2010	Amount Due Within One Year
WV Infrastructure and Jobs Development Council Revenue Bonds	$ 122,875	$ —	$ (2,310)	$ 120,565	$ 2,390
Premium/(Discount)	(2,049)	—	96	(1,953)	(96)
Total WV Infrastructure and Jobs Development Council Revenue Bonds	120,826	—	(2,214)	118,612	2,294
Accrued Tuition Contract Benefits	105,256	—	(505)	104,751	12,590
Insurance and Compensation Benefits	2,579,673	459,831	(608,281)	2,431,223	486,163
Compensated Absences	1,203	66	(120)	1,149	620
Total Business-type Activities Long-Term Obligations	$2,806,958	$459,897	$(611,120)	$2,655,735	$501,667

The assets of the general fund, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities are liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations are liquidated by the State's governmental and internal service funds that contribute toward the pension funds based on plans established by the action of the State Legislature. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, $1.7 million of internal service funds compensated absences are included in the governmental amounts.

Senate Bill 1002, enacted in January 2005, provides that on and after February 1, 2005, bonds may not be issued or refunded by the State or any of its agencies, boards, or commissions without the express written direction of the governor if (1) the ultimate user of the proceeds of the bonds is the State or any of its agencies, boards, commissions, or departments, or (2) the issuance or refunding of the bonds implicates the State's credit rating.

Compliance – Various debt agreements governing the State's bonds contain a number of covenants, including continuing disclosure requirements, debt service coverage ratio, and maintaining debt service reserve and maintenance reserve funds. It is required that debt service reserve funds, and maintenance reserve funds are to be held with a trustee. As of June 30, 2010, the debt service reserve funds approximated $85 million, and the maintenance reserve funds approximated $10 million.

General Obligation Bonds – The State has constitutionally limited its ability to incur debt. The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of

general obligation debt. All bonds authorized under prior constitutional amendments have been issued. General obligation bonds outstanding at June 30, 2010, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s)%	Balance
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	3.00-5.50%	$362,066
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects	2027	4.00-7.625%	260,862
Total			$622,928

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2010, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2011	$ 40,240	$ 25,724	$ 65,964
2012	42,420	23,616	66,036
2013	33,035	21,450	54,485
2014	33,090	19,759	52,849
2015	34,860	18,056	52,916
2016-2020	144,055	64,920	208,975
2021-2025	158,705	29,439	188,144
2026-2027	26,050	1,280	27,330
	512,455	204,244	716,699
Premium	23,272	—	23,272
Total	535,727	$204,244	$ 739,971

Capital Appreciation Bonds

Year Ended June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2011	6,933	$ 117	$ 7,050
2012	6,517	458	6,975
2013	6,342	808	7,150
2014	6,015	1,135	7,150
2015	5,660	1,440	7,100
2016-2020	24,839	12,011	36,850
2021-2025	22,974	21,876	44,850
2026-2027	7,921	10,779	18,700
Total	87,201	$48,624	$135,825
Total General Obligation Bonds	$622,928		

Revenue Bonds – Revenue bonds are issued by various State departments, agencies and authorities, and economic development projects. Revenue bonds are issued pursuant to specific statutory provisions enacted by the Legislature primarily for the purpose of financing capital construction. Principal and interest payments are made from specifically dedicated fees and other revenues. Revenue bonds do not constitute a general obligation of the State. The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2010:

Agency	Purpose	Revenue Source
Transportation	Highway, road, and bridge construction	Federal reimbursement allowed by Title 23, Section 122
Tobacco Settlement Finance Authority	To issue bonds to receive lump sum in lieu of future annual payments from MSA	100% of receipts from Tobacco MSA until bonds are paid
Economic Development Project Fund	To provide grants for various economic development projects	Certain net profits of the West Virginia Lottery
Education, Arts, Sciences, and Tourism Fund	Capital projects which promote education, arts, sciences, and tourism	Certain net profits of the West Virginia Lottery
WV Infrastructure and Jobs Development Council	To fund water and sewer infrastructure projects	Certain repayment of defined loans

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 are comprised of two series of turbo term bonds, the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007A, which are current interest bonds issued in the amount of $845,810,000**,** and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the amount of $65,331,503**.** The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the Authority of 100% of the Tobacco Receipts**,** and investment earnings on the accounts with the trustee under the Indenture**.** The tobacco receipts through 2039 were estimated to be approximately $2.4 billion, using 85% (the percentage actually received since 2005) of the amount calculated by the National Governor's Association. Assuming a 5.2% interest rate, the net present value of the receipts is $897 million. The tobacco receipts for FY 2010 totaled $66 million; all of this amount and interest earnings were used to pay $70.8 million in principal and interest.

Economic Development Grants Fund

The Economic Development Project Fund bonds, issued by EDA in FY 2004 in the amount of $249.9 million to provide financing for various economic development project grants, are payable through 2027. The State has committed to appropriate each year, from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is $310.9 million with annual requirements ranging from $19.0 million in FY 2011 to $7.1 million in the final year. For the current year, principal and interest paid were $18.8 million and the net profits of the Lottery committed to the debt were $18.8 million.

EAST Fund

The Education, Arts, Sciences, and Tourism Fund (EAST) bonds, issued by the Economic Development Authority (EDA) in FY 1997 in the amount of $98.8 million to provide financing for capital projects which promote education, arts, sciences, and tourism, are payable through 2011. The State has committed to appropriate each year, from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is $7.9 million. For the current year, principal and interest paid were $9.8 million and the net profits of the Lottery committed to the debt were $8.2 million.

Revenue bonds outstanding at June 30, 2010, were as follows (expressed in thousands):

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Transportation	2006-2009	2016	3.75-5.00	$ 150,431
Tobacco Settlement Finance Authority	2007	2047	7.47-8.50	887,373
Economic Development Project Fund	2004	2027	1.20-6.07	197,612
Education, Arts, Sciences, and Tourism Fund	1997	2011	5.00-5.50	7,690
Subtotal Governmental				1,243,106
WV Infrastructure and Jobs Development Council	2003-2007	2046	2.62-5.50	118,612
Total				$1,361,718

Future amounts required to pay principal and interest on revenue bonds at June 30, 2010, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2011	$ 56,885	$ 81,932	$ 138,817
2012	52,125	79,093	131,218
2013	55,195	76,193	131,388
2014	58,750	72,972	131,722
2015	62,510	69,500	132,010
2016-2020	226,205	300,089	526,294
2021-2025	273,410	223,442	496,852
2026-2030	334,350	112,671	447,021
2031-2035	121,690	14,797	136,487
2036-2040	24,005	4,955	28,960
2041-2045	8,655	1,189	9,844
2046-2050	890	21	911
	1,274,670	1,036,854	2,311,524
Discount	3,185	—	3,185
Total	1,277,855	$1,036,854	$2,314,709

Capital Appreciation Bonds

Year Ended June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2011	—	$ 7,279	$ 7,279
2012	—	7,911	7,911
2013	—	8,598	8,598
2014	—	9,344	9,344
2015	—	10,155	10,155
2016-2020	—	65,632	65,632
2021-2025	—	99,509	99,509
2026-2030	—	150,872	150,872
2031-2035	—	166,613	166,613
2036-2040	83,863	53,286	137,149
Total	83,863	$579,199	$663,062
Total Revenue Bonds	$1,361,718		

Certain revenue bonds have call provisions providing for redemption at the option of the State, beginning ten years following the date of issuance, in whole or in part, in inverse order of maturity, and pay a redemption price not exceeding 103% of par value.

Notes payable are issued by Information Services and Communications and Travel Management internal service funds for the purpose of financing various equipment and vehicles (expressed in thousands).

	Final Maturity Date	Interest Rate(s)%	Balance
Information Services and Communications	2012	3.93	$ 67
Travel Management	2012-2014	2.29-3.24	8,528
Total Notes Payable			$8,595

Future amounts required to pay principal and interest on notes payable at June 30, 2010, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2011	$3,242	$202	$3,444
2012	2,928	114	3,042
2013	1,522	52	1,574
2014	903	12	915
Total Notes Payable	$8,595	$380	$8,975

Summary of Discretely Presented Component Unit Debt
(Expressed in Thousands)

	Balance June 30, 2009	Debt Issued	Debt Paid	Other Changes	Balance June 30, 2010	Amount Due Within One Year
Revenue Bonds:						
Housing Development Fund	$ 722,176	$100,000	$ (70,755)	$ (490)	$ 750,931	$232,210
Parkways, Economic Development and Tourism Authority	81,159	—	(12,656)	886	69,389	7,135
Water Development Authority	231,102	—	—	(6,149)	224,953	6,377
Higher Education	775,287	94,647	(25,703)	—	844,231	27,381
Regional Jail Authority	77,095	—	(4,770)	—	72,325	5,015
School Building Authority	409,202	78,200	(29,850)	(7,722)	449,830	35,186
Total Discretely Presented Component Unit Revenue Bonds	$2,296,021	$272,847	$(143,734)	$(13,475)	$2,411,659	$313,304
Capital Leases:						
Parkways, Economic Development, and Tourism Authority	$ 1,144	$ —	$ (510)	$ —	$ 634	$ 363
Higher Education	51,014	37,564	(7,501)	—	81,077	13,925
Total Discretely Presented Component Unit Capital Leases (see Note 11)	$ 52,158	$ 37,564	$ (8,011)	$ —	$ 81,711	$ 14,288
Notes Payable:						
Housing Development Fund	$ 489	$ —	$ (28)	$ —	$ 461	$ —
Economic Development Authority	9,087	—	(436)	—	8,651	631
Higher Education	32,118	12,651	(883)	(17)	43,869	11,558
Job Investment Trust	24,059	1,581	—		25,640	5,632
Public Defender Corporation	111	78	(19)	—	170	23
Total Discretely Presented Component Unit Notes Payable	$ 65,864	$ 14,310	$ (1,366)	$ (17)	$ 78,791	$ 17,844

Discretely Presented Component Units

Revenue Bonds – Revenue bonds are issued by various component units pursuant to specific statutory provisions enacted by the Legislature for the purpose of financing capital construction. Principal and interest payments are made from specifically dedicated fees and other revenue sources, such as tuition and registration fees, dedicated court fees, mortgage loan repayments, and certain nontoll revenues. Revenue bonds do not constitute general debt of the State (expressed in thousands).

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Housing Development Fund	1997-2009	2040	3.80-5.25	$ 750,931
Parkways, Economic Development, and Tourism Authority	1993-2008	2019	3.50-7.00	69,389
Water Development Authority	2000-2006	2044	2.40-6.375	224,953
Higher Education	1998-2009	2039	3.728-6.26	844,231
Regional Jail Authority	1998	2021	5.12-5.35	72,325
School Building Authority	2002-2009	2028	2.00-6.92	449,830
Total Revenue Bonds				$2,411,659

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2010, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2011	$ 314,800	$ 97,529	$ 412,329
2012	108,929	91,963	200,892
2013	106,837	90,587	197,424
2014	108,185	86,210	194,395
2015	102,737	81,891	184,628
2016-2020	563,754	340,498	904,252
2021-2025	402,036	248,860	650,896
2026-2030	336,890	161,176	498,066
2031-2035	261,023	67,074	328,097
2036-2040	105,602	15,303	120,905
2041-2045	14,558	1,876	16,434
	2,425,351	1,282,967	3,708,318
Discount	(24,193)	—	(24,193)
Premium	10,501	—	10,501
Total	$2,411,659	$1,282,967	$3,694,626

Notes payable are issued for various reasons, including construction and the purchase of land, buildings, and vehicles. For detailed information on specific notes, see the separately issued financial statements of the discretely presented component units.

The following is a summary of notes payable at June 30, 2010 (expressed in thousands):

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Housing Development Fund	2008-2009	N/A	0.00	$ 461
Economic Development Authority	2007	2029	3.00-9.00	8,651
Higher Education	1997-2010	2028	3.00-6.30	43,869
Jobs Investment Trust	2001-2004	2014	5.40-6.95	25,640
Public Defender Corporation	2005-2010	2020	6.00-6.99	170
Total Notes Payable				$78,791

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2010, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2011	$17,844	$ 3,145	$20,989
2012	10,058	2,738	12,796
2013	7,504	2,487	9,991
2014	7,379	1,792	9,171
2015	7,113	1,302	8,415
2016-2020	13,969	4,739	18,708
2021-2025	12,975	2,026	15,001
2026-2030	1,949	136	2,085
Total	$78,791	$18,365	$97,156

Parkways, Economic Development, and Tourism Authority

In July 2008, Parkways, Economic Development, and Tourism Authority (Parkways) issued $54,800,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding $54,800,000 of the Parkways Series 2003 Bonds. This refunding resulted in a $5,972,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated $591,000 in 2010. The refunding was completed to remove the requirement for bond insurance that was included in the Series 2003 Bonds. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. Principal and interest paid on the Series 2008 bonds for the year ended June 30, 2010, was $6,683,250, and the total pledged revenues were approximately all toll revenues of the Parkways.

Parkways has an interest rate swap derivative instrument to synthetically fix, on a current basis, the Series 2008 Refunding Variable Rate Bonds in order to hedge interest rate fluctuations. The key provisions of the instrument are:

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	$63,900,000
Effective Date	July 2, 2008
Maturity Date	May 1, 2019
Terms	Pay 4.387%, receive 67% of One-Month LIBOR

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2010, and the change in fair value of the instrument for the year ended June 30, 2010, as reported in the 2010 Parkways financial statements are as follows:

Changes in Fair Value:

Classification	**Deferred Outflow**
Increase (decrease)	$(2,657,623)

Fair Value at June 30, 2010:

Classification	**Noncurrent Liabilities**
Amount	$7,270,672

The credit ratings of the counterparty to the interest rate swap are A1 from Moody's, A+ from Standard & Poor's, and A+ from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2010, no collateralization was required by the agreement.

Parkways is exposed to basis risk on the fixed interest rate swap because the variable-rate payments received on this hedging derivative instrument are based on an index other than interest rates Parkways pays on the hedged variable-rate debt, which are remarketed every week. As of June 30, 2010, the weighted-average interest rate on this debt was 3.25%, while 67% of the one-month LIBOR was .80%.

Parkways or the counterparty may terminate the swap if the other party fails to make payments when due, there is a material breach of representations and warranties, an event of illegality occurs, or failure to comply with any other provisions of the agreement after a specified notice period. In addition, if the counterparty fails to maintain ratings of at least

Baa3 by Moody's and BBB- by Standard and Poor's, the swap may be terminated by Parkways. If Parkways fails to maintain ratings of at least Baa3 by Moody's and BBB- by Standard and Poor's, the swap may be terminated by the counterparty. The amount of termination payment is determined by market quotation by obtaining pricing levels from at least three reference market makers. Parkways has the right to optionally terminate the swap agreement at any time. The termination amount owed by either Parkways or the counterparty may be determined by market quotation. If at the time of termination the swap has a negative fair value, Parkways would owe the counterparty a payment equal to the swap's fair value.

Parkways is exposed to rollover risk on the hedging interest rate swap that may be terminated prior to the maturity of the hedged debt.

Using rates as of June 30, 2010, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable-Rate Bonds			
Year Ended June 30	Principal	Interest	Interest Rate Swap, Net	Total
2011	$ 4,700	$1,666	$ 663	$ 7,029
2012	4,700	1,511	631	6,842
2013	5,200	1,356	533	7,089
2014	5,200	1,184	470	6,854
2015	5,600	1,013	398	7,011
2016-2019	25,100	2,115	802	28,017
	$50,500	$8,845	$3,497	$62,842

Debt Contingencies and No-Commitment Debt

As a vehicle to assist the local and other non-State governments in West Virginia, the State may appropriate sufficient amounts to meet any deficiencies that may arise because of failures by such entities to provide for debt service payments for obligations under the supervision and control of the Municipal Bond Commission. For the year ended June 30, 2010, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA), the Public Energy Authority (PEA), and the Economic Development Authority (EDA) have issued special limited obligations on behalf of third parties that in no way obligates the State, HFA, PEA, or EDA, for these debt issuances, unless these entities or the State serve in a third-party role. The obligations become an obligation of the third party when issued, because all rights to payments and/or obligations have been irrevocably assigned to a trustee. Payments are made directly to the trustee from dedicated revenues of the third parties, in accordance with the related

bond indentures. The amount of such no-commitment debt outstanding at June 30, 2010, is approximately $1.4 billion, $73.5 million, and $1.7 billion for HFA, PEA, and EDA, respectively.

Included in the EDA's $1.7 billion current value is $305 million related to bonds issued by EDA specifically for the construction of correctional, public safety, and other state office facilities, as well as an energy savings project. The bonds are special limited obligations of the EDA, payable solely out of rental revenue derived under the indenture and the contracts of lease-purchase between the EDA and the State. The bonds shall never constitute an indebtedness of the State or the issuer within the meaning of any constitutional provision or statutory limitation, nor are they a charge against the property, general credit, or taxing power, if any, of the State or issuer. The State's obligation to pay rentals is subject to and dependent upon yearly appropriations being made by the State Legislature sufficient for such purpose. If the State Legislature does not make an appropriation to pay the lease rentals or the State provides a 30-day notice of cancellation, the contracts of lease-purchase shall be terminated, and the State is to surrender possession of the related facilities. The State has recorded the leasing arrangements as capital lease obligations, included in the lease amounts disclosed in Note 11.

The Housing Development Fund (HDF) has an unused $15 million line of credit with the Federal Home Loan Bank that is available as a warehouse line for the purchase of single-family, multifamily, and secondary market loans. This line of credit is secured by investments of the Bond Insurance Fund and is a general obligation of the HDF. At June 30, 2010, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

Current Year Extinguishment of Debt

Housing Development Fund

The Housing Development Fund redeemed bonds in the amount of $51,585,000 at redemption prices that approximated their carrying value. The impact of these early redemptions on their financial statements was not material.

West Virginia Parkways, Economic Development and Tourism Authority

Parkways completed an advance refunding of the Series 2001A and 2001B bonds on August 20, 2009. Parkways deposited $6,776,413 in an irrevocable trust with an escrow agent to provide debt service payments until the bonds mature or are called. The advance refunding met the requirements of an in-substance defeasance and the defeased bonds were removed from Parkways financial statements as of the date of the advance refunding.

Prior Defeasances

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payment on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2010, the following outstanding bonds are considered defeased (expressed in thousands):

	Outstanding Amount
Primary Government	$62,250
Discretely Presented Component Units	9,650
Total	$71,900

NOTE 11

LEASES

The State has entered into various lease/purchase agreements with the private sector, primarily for buildings, equipment, and intangibles. These agreements, accounted for as capital leases, are for various terms. While most of these agreements contain fiscal funding clauses indicating that their continuation is subject to continuing appropriation by the Legislature, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes.

The State has also entered into lease/purchase agreements with the Economic Development Authority (EDA) which issued bonds to finance construction and acquisition of various capital assets as well as an energy savings project. The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid. The governmental activities capital leases obligation includes approximately $305 million related to these lease agreements with EDA, a discretely presented component unit. More information on the conduit debt of the EDA is included in Note 10.

GAAP requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee. For capital leases in governmental funds, other financing sources are recorded at lease inception. Lease payments are recorded as debt service expenditures. For budgetary purposes, lease payments are only reported as expenditures when paid. In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception.

The following table is an analysis of the capital assets acquired under capital leases by asset category at June 30, 2010 (expressed in thousands):

	Primary Government Governmental Activities	
Asset Type	Assets Acquired by Capital Lease	Accumulated Depreciation
Land	$ 3,288	$ —
Buildings and Improvements	369,436	74,152
Machinery and Equipment	23,471	11,670
Intangibles	22,560	7,442
Infrastructure	3,107	1,709
Total	$421,862	$94,973

Future minimum commitments under capital leases as of June 30, 2010, were as follows (expressed in thousands):

Year Ended June 30	Capital Leases: Governmental Activities	Capital Leases: Discretely Presented Component Units	Capital Leases: Total
2011	$ 31,534	$ 17,248	$ 48,782
2012	31,798	15,185	46,983
2013	31,062	5,883	36,945
2014	29,851	5,877	35,728
2015	26,544	5,911	32,455
2016-2020	134,103	28,751	162,854
2021-2025	121,858	20,393	142,251
2026-2030	84,046	8,055	92,101
2031-2035	9,218	—	9,218
2036-2040	284	—	284
Total Minimum Lease Payments	500,298	107,303	607,601
Less: Interest	(172,750)	(25,592)	(198,342)
Present Value of Future Minimum Lease Payments	$ 327,548	$ 81,711	$ 409,259

Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Operating lease expenditure/expense for the year ended June 30, 2010, was $27.6 million. Future minimum commitments under operating leases as of June 30, 2010, were as follows (expressed in thousands):

Year Ended June 30	Operating Leases: Governmental Activities	Operating Leases: Business-type Activities	Operating Leases: Discretely Presented Component Units	Operating Leases: Total
2011	$15,342	$303	$ 9,602	$ 25,247
2012	11,233	244	7,274	18,751
2013	8,510	133	5,904	14,547
2014	7,141	—	5,058	12,199
2015	5,267	—	4,165	9,432
2016-2020	16,722	—	13,081	29,803
2021-2025	7,933	—	9,880	17,813
2026-2030	5,633	—	9,880	15,513
2031-2035	5,324	—	1,980	7,304
2036-2040	5,324	—	—	5,324
Total Minimum Lease Payments	$88,429	$680	$66,824	$155,933

NOTE 12

RETIREMENT SYSTEMS

Plan Description

The West Virginia State Legislature has established eight defined benefit plans (the Plans) and a defined contribution plan to provide retirement benefits for eligible employees. The Plans are a group of defined benefit public employee retirement systems. The Consolidated Public Retirement Board (CPRB) administers the Plans under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and ten members appointed by the Governor. The Governmental Employees Deferred Compensation Plan is administered by a third-party administrator and has been excluded from these financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

CPRB prepares separately issued financial statements covering the retirement systems, which can be obtained from the Consolidated Public Retirement Board, 4101 MacCorkle Avenue, SE, Charleston, WV 25304. The Plans' financial statements are prepared using fund accounting principles and the accrual basis of accounting, under which expenses are recorded when liabilities are incurred and revenues are recorded in the accounting period in which they are earned and become measurable. Investments are carried at fair value as determined by a third-party pricing service utilized by the respective investment management companies. Investment transactions are accounted for on a trade-date basis. Unrealized gains and losses are included in investment income. Investment income is determined monthly and distributed to each of the defined benefit plans participating in the investment pools on the last day of the month in the form of reinvested shares.

The net pension obligation at June 30, 2010, amounted to approximately $78 million, which is an increase of approximately $8 million from the prior year's obligation. The net pension asset at June 30, 2010, was approximately $874 million, which is a decrease of approximately $84 million from the prior year's asset.

The Plans are comprised of the following groups of defined benefit plans which provide substantially all employees of the State, its public education system, and other political subdivisions of the State with retirement and death and disability benefits:

- The Public Employees' Retirement System (PERS) is a multiple-employer, cost-sharing, public employee retirement system. The number of local government employers participating in PERS at June 30, 2010, was 533, including 106 cities and towns, 372 special districts, and 55 counties.

- The Deputy Sheriff Retirement System (DSRS) is a multiple-employer, cost-sharing, public employee retirement system which was established for all deputy sheriffs hired on or after July 1, 1998. Current employees were eligible to transfer from PERS. The State makes no employer contributions to DSRS.

- The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The State makes no employer contributions to EMSRS.

- The Municipal Police Officers and Firefighters Retirement System (MPFRS) is a multiple-employer, cost-sharing public employee retirement system which was established for any municipality or municipal subdivision employing municipal police officers or firefighters. Participation is voluntary. The MPFRS had two participating employers as of June 30, 2010. If there are fewer than 100 members on January 1, 2014, all members will be merged into the Emergency Medical Services Retirement System. The State makes no employer contributions to MPFRS.

- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and boards of higher education participate in the TRS plan. Because the State provides substantially all the funding for TRS, the State follows the GASB Statement No. 27 reporting requirements for sole employer plans.

- The Public Safety Death, Disability, and Retirement Fund (PSDDRF), the State Police Retirement System (SPRS), and the Judges' Retirement System (JRS) are single-employer, public employee retirement systems.

Funding Policy

Funding policies for all the Plans have been established and changed from time to time by action of the State Legislature. Actuarial valuations are performed to assist the Legislature in determining appropriate contribution rates. As a condition of participation in the Plans, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by CPRB. The following schedule summarizes each defined benefit plan's required contribution rates at June 30, 2010:

Statutory Contribution Rates as a Percent of Covered Payroll

System	Member	Employer
PERS	4.5%	11.0%
TRS	6.0%	15.0% State
		15.0% Counties
		15.0% Other Employers
PSDDRF	9.0%	15.0%
SPRS	13.0%	12.0%
JRS	10.5%	Appropriated by the Legislature

The State Supreme Court has required the State to fund the Teachers' Retirement System in an actuarially sound manner to eliminate the unfunded liability over a forty-year period beginning on July 1, 1994, and to meet the cash flow requirements of the TRS in fulfilling its future anticipated obligations to its members. The State Supreme Court has further ordered the State, through the Governor, to require the appropriate funding should the State Legislature fail to do so. Since this ruling, the Legislature has supplemented the funding of the TRS to meet this requirement.

Annual Pension Cost, Funding and Net Pension Obligation

The State's contributions to PERS for the years ended June 30, 2010, 2009, and 2008, were $95,914,587, $89,705,976, and $85,336,153, respectively, equal to the required contributions for each year.

The following table provides the annual pension cost and changes in net pension obligation for each defined benefit plan reported as a sole employer plan for the current year (expressed in thousands):

	TRS	PSDDRF	SPRS	JRS
Annual required contribution (ARC)	$ 487,886	$12,416	$ 3,537	$ 2,467
Interest on net pension obligation	(70,761)	5,231	(182)	(888)
Adjustment to ARC	84,641	(7,901)	233	1,724
Annual pension cost (APC)	$ 501,766	$ 9,746	$ 3,588	$ 3,303
ARC related contributions and appropriations	$ 417,403	$ 1,514	$ 3,396	$ 3,954
Percentage of APC contributed	83.19%	15.53%	94.65%	119.71%
Net pension obligation (asset), July 1, 2009	$(943,484)	$69,742	$(2,432)	$(11,837)
Increase (decrease) in net pension obligation (asset)	84,363	8,232	192	(651)
Net pension obligation (asset), June 30, 2010	$(859,121)	$77,974	$(2,240)	$(12,488)

Three-Year Trend Information

In accordance with GASB Statement No. 27, the single-employer plans disclose the following (expressed in thousands):

	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
TRS				
	2010	$501,766	83.19%	$(859,121)
	2009	$417,949	88.13%	$(943,484)
	2008	$333,851	110.49%	$(993,103)
PSDDRF				
	2010	$ 9,746	15.53%	$ 77,974
	2009	$ 2,167	77.90%	$ 69,742
	2008	$ 5,117	33.24%	$ 69,263
SPRS	2010	$ 3,588	94.65%	$ (2,240)
	2009	$ 2,645	98.07%	$ (2,432)
	2008	$ 2,289	102.18%	$ (2,483)
JRS				
	2010	$ 3,303	119.71%	$ (12,488)
	2009	$ 3,074	196.29%	$ (11,837)
	2008	$ 2,803	215.27%	$ (8,877)

Funded Status and Funding Progress

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation date, is as follows (expressed in thousands):

	TRS	PSDDRF	SPRS	JRS
Actuarial Value of Plan Assets	$3,554,771	$362,927	$40,321	$ 88,310
Actuarial Accrued Liability (AAL)	$8,607,869	$573,579	$61,628	$ 93,185
Unfunded AAL (UAAL)	$5,053,098	$210,652	$21,307	$ 4,875
Funded Ratio	41.3%	63.3%	65.4%	94.8%
Annual Covered Payroll	$1,499,232	$ 10,215	$22,382	$ 8,140
UAAL as a Percentage of Covered Payroll	337.0%	2062.2%	95.2%	59.9%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information. The actuarial value of plan assets has been increasing over time relative to the actuarial accrued liabilities for benefits for each plan.

Actuarial Methods and Assumptions

	TRS	PSDDRF	SPRS	JRS
Valuation date	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value	Fair value
Amortization method	Level dollar	Level dollar	Level dollar	Level dollar
Amortization period	Through FY 2034, closed	Through FY 2025, closed	Through FY 2030, closed	N/A
Actuarial assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Projected salary increases	3.50%-5.50%	4.75%-6.50%	4.75%-6.50%	4.50%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Annual annuity adjustment	None	3.75% Annual cost of living adjustment	1.00% Annual cost of living adjustment	4.50%

Pension Investments

Following is a summary of investment holdings by plan at the IMB. Such investments are recorded at fair value as more fully described in Note 4. Substantially all of the following investment pools are in excess of 5% of total investments for all plans as of June 30, 2010 (expressed in thousands):

	PERS	TRS	PSDDRF	SPRS	DSRS	JRS	EMSRS	MPFRS
Large Cap Equity	$ 690,392	$ 765,922	$ 75,914	$ 9,959	$17,477	$ 19,724	$ 4,588	$—
Non-Large Cap Equity	147,742	160,014	14,390	1,888	3,313	3,739	870	—
International Qualified	308,228	331,554	33,159	4,281	7,586	8,595	1,978	—
International Equity	614,649	679,006	65,650	8,673	15,155	17,075	3,991	—
Private Equity	400,159	437,924	41,959	5,498	9,655	10,900	2,534	—
Private Real Estate	217,928	236,320	23,194	3,035	5,334	6,023	1,399	—
Total Return Fixed Income	525,019	471,837	57,157	7,635	13,306	14,685	3,470	—
Core Fixed Income	384,826	314,308	42,093	5,663	9,844	11,228	1,533	—
Hedge Fund	377,752	414,434	40,632	5,326	9,351	10,556	2,454	—
TRS Annuity	—	152,419	—	—	—	—	—	—
Short Term Fixed Income	15,420	135,956	10,298	781	527	289	528	3
Total	$3,682,115	$4,099,694	$404,446	$52,739	$91,548	$102,814	$23,345	$3

The following investment managers have investments at fair value in excess of 5% of the net assets of the Teachers' Defined Contribution Retirement System as of June 30, 2010 (expressed in thousands):

American Funds Growth Fund A	$ 34,588
Black Rock Large Cap Value Fund	15,917
Federated Max Cap Institutional	15,941
Franklin Income Fund A	24,952
PIMCO Total Return Fund	17,524
Valic Fixed Annuity Option	64,488
Vanguard Money Market Prime Portfolio	15,396
Other (Less than 5% Individually)	63,160
Total	$251,966

Defined Contribution Plans

The Teachers' Defined Contribution Retirement System (TDCRS)

TDCRS, administered by the Consolidated Public Retirement Board, is a multiple-employer defined contribution retirement system primarily covering the full-time employees of the State's 55-county public school systems, the State Department of Education, and the School for the Deaf and the Blind, who were hired between July 1, 1991, and June 30, 2005. TDCRS members also include former TRS plan members, including higher education employees, who have elected to participate in the TDCRS plan. There are approximately 5,583 and 5,862 members in the TDCRS plan at June 30, 2010 and 2009, respectively. TDCRS retirement benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

State legislation requires enrolled employees to contribute 4.5% of their gross compensation, and the employers contribute 7.5% of covered members' gross compensation from amounts allocated to the employers through the State School Aid Formula. Employer contributions for each employee (and interest allocated to the employee's account) become partially vested after six years and fully vested after twelve years of completed service. Employer contributions and earnings thereon forfeited by employees who leave employment prior to becoming vested are available, in the event the employee does not return to active participant status within five years, to reduce the employer's current-period contribution requirement. Any such forfeitures arising from contributions plus earnings thereon, will be used to reduce future employer contributions.

The TDCRS investments are held and managed by an investment company as the third-party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds or a long-term fixed investment option. The TDCRS provides members with a choice of ten separate investment options made up of a fixed income mutual fund, balanced mutual fund, large cap mutual funds, mid cap mutual fund, small cap mutual fund, international mutual fund, money market fund and a guaranteed insurance fixed annuity. Three Profile funds (conservative, moderate, or aggressive) allow participants to invest their contributions according to their risk tolerance. The State currently does not have specific overall policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

The TDCRS investments are carried at fair value as determined by a third-party pricing service utilized by an investment management company. Investment income for the TDCRS is determined monthly and distributed to the individual participant accounts.

Custodial Credit Risk - Cash Deposits

The TDCRS' cash deposits with financial institutions were approximately $156,000 at June 30, 2010. These deposits, which had a bank balance of approximately $156,000, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agents.

Interest Rate Risk

As of June 30, 2010, the TDCRS had the following investments and maturities (expressed in thousands):

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1-5	6-10
Mutual Funds	$251,816	$251,816	$—	$—

For the year ended June 30, 2010, the approximate payroll of state employees covered by TDCRS was $151 million, and total covered payroll for both the TDCRS and TRS was approximately $1.6 billion. Both the employees and employers made the required contributions amounting to $6.9 million and $10.1 million, respectively, or approximately 4.6% and 6.7% of covered payroll.

Teachers' Insurance and Annuity Association

The Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a privately administered multiple employer defined contribution retirement plan, provides individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university faculty and staff. For the year ended June 30, 2010, contributions were approximately $36.6 million from the covered employees and approximately $36.6 million from the thirteen participating institutions from the State of West Virginia.

Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total annual required contribution and the amount paid is 6% of the employee's annual salary and is established by the Board of Trustees of the University System of West Virginia and the Board of Directors of the State College System. The State has no further liability once annual contributions are made.

Great-West Retirement Services

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the New Educators Money 401(a) basic retirement plan, administered by Great-West Retirement Services. New hires have the choice of either plan. For the year ended June 30, 2010, contributions were approximately $532 thousand from the covered employees and $526 thousand from the Higher Education Fund institutions.

NOTE 13

OTHER POSTEMPLOYMENT BENEFITS

General

In addition to the pension benefits described in Note 12, the State provides certain health care and other insurance benefits, in accordance with State statutes, for retired employees. Substantially all employees hired prior to July 1, 2001, may become eligible for these benefits if they reach normal retirement age while working for the State. State employees earn sick leave benefits, which accumulate, but do not vest. Eligible employees may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. If this option is not selected, the leave amount may be applied toward an increase in the employee's retirement benefits with such sick leave constituting additional credited service in computation of such benefits. The unused portion of sick leave that is expected to be converted to additional credited service for retirement benefits is considered in the actuarial valuation used to calculate the net pension obligation.

The State provides health care credits against monthly health insurance premiums of certain retirees based on various factors, including unused sick leave at the time of retirement. According to West Virginia State Code, employees hired prior to June 30, 1988, can receive health care credit against 100% of their health care coverage. Employees hired between June 30, 1988, and July 1, 2001, can receive health care credits against 50% of their health care cost. Employees hired July 1, 2001, or later, may not convert sick leave into a health care benefit.

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, State statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the PEIA Finance Board. Approximately 35,000 retirees and 75,500 active plan members met those eligibility requirements at June 30, 2010.

Plan Description

The State implemented GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," in 2007. In conjunction with the implementation of GASB Statement No. 43, the State established the Retiree Health Benefit Trust Fund (RHBT) under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-sharing

plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine through an actuarial study the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 693 respective employers who are required by law to remit at least the minimum annual premium component of the CRC.

The RHBT provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, dental, and prescription drug coverage for retired employees of the State and various non-State governmental agencies and their dependents. Plan benefits are established and revised by PEIA and RHBT management with the approval of their Finance Board.

Basis of Accounting

The RHBT is included in the fiduciary funds financial statements. Accordingly, the basic financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental entities as prescribed or permitted by the GASB. Revenues are derived mainly from contributions from plan members and employers. Members' contributions are recognized in the period in which the contributions are due. Employers' contributions to the RHBT are recognized pursuant to a formal commitment from the employer or statutory contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable. RHBT cash and cash equivalents principally consist of the deposits in the BTI pooled funds recorded at fair value as more fully described in Note 4.

Effective July 1, 2007, the State implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires reporting on an accrual basis the liability associated with other postemployment benefits. The liability to RHBT for OPEB of $356 million at June 30, 2010, is recorded in the Due to Other Funds on the governmental Balance Sheet and the Due to Fiduciary Funds on the government-wide Statement of Net Assets.

Funding Policy

Historically, the obligation associated with retiree health care benefits has been funded and recognized for financial statement purposes on a pay-as-you-go basis. The retiree premiums currently pay approximately 33% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers through a retiree subsidy, which is included in the premium charged for the coverage of

each active employee. A non-Medicare plan member or beneficiaries receiving benefits contributes monthly health care premiums ranging from $227 to $812 per month for retiree-only coverage, and from $457 to $1,937 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from $46 to $349 per month for retiree-only coverage, and from $249 to $1,176 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage. The PEIA Finance Board has taken the first steps in addressing the OPEB problem by requiring any employees hired after July 1, 2010, to pay the full cost of premiums when they retire. This change will not have a substantial impact on the unfunded liability in the short-term but will virtually eliminate the unfunded liability in the long-run.

Revenues collected by RHBT will be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. The rates charged must generate sufficient revenues to not only meet all expected expenses, including insurance, administrative expenses, and incurred but unreported claims of the RHBT, but also include the amounts necessary to fund the unfunded obligation of the plan over an amortization period not to exceed 30 years. The total CRC for the years ended June 30, 2010, June 30, 2009, and June 30, 2008, were approximately $792 million, $342 million, and $398 million, respectively. The percentages contributed were 16%, 69%, and 81%, respectively.

West Virginia Code §5-16-25 requires the Finance Board of PEIA to maintain a reserve of 10% of projected PEIA plan costs for general operation purposes and to provide future plan stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be transferred to the West Virginia Retiree Health Benefit Trust Fund, in accordance with Senate Bill 129, which became effective July 1, 2007. In FY 2010, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

Actuarial Value of Plan Assets

The actuarial value of the plan assets is measured at fair value.

Annual OPEB Cost

The State's contributions to RHBT for the year ended June 30, 2010, were approximately $67 million which was approximately $280.7 million less than the required contribution for the year.

Complete RHBT financial statements, including additional detailed disclosures, may be obtained directly from their administrative offices at Retiree Health Benefit Trust, 601 57th St., SE, Suite 2, Charleston, WV 25304.

NOTE 14

RISK MANAGEMENT

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia operates three significant insurance enterprise funds: Board of Risk and Insurance Management (BRIM), Public Employees' Insurance Agency (PEIA), and Workers' Compensation Fund (WCF). The State also operates AccessWV, which provides health care coverage consistent with comprehensive coverage to every eligible person who is not eligible for medicare. AccessWV is operated so as to qualify as an acceptable alternative mechanism under the Federal Health Insurance Portability and Accountability Act and as an option to provide health insurance coverage for individuals eligible for the federal health care tax credit established by the Federal Trade Adjustment Assistance Reform Act of 2002 (Section 35 of the Internal Revenue Code of 1986). AccessWV total unpaid claims and claims adjustment expense liability at June 30, 2010, was $550,000. The State also has a Patient Injury Compensation Fund (PICF), an agency fund of the State, administered by BRIM. The balance of the PICF does not reflect claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and a $900,000 claim was filed and paid in fiscal year 2010. There were two claims pending totaling $500,000 as of June 30, 2010; accordingly the actuarial estimate of the claims reserve at such date is $500,000. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

Description of the Funds

Board of Risk and Insurance Management

BRIM provides a property and liability self-insurance program for its member agencies. BRIM has general supervision and control over the insurance of all state property, including that of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by BRIM. Types of coverage provided by BRIM have been expanded over time to include medical malpractice, automobile liability, and coal mine subsidence reinsurance. At the end of the fiscal year, approximately 1,100 organizations participated in the BRIM risk pool.

Underwriting and rate-setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a $1 million per occurrence coverage maximum on all third-party liability claims. In the normal course of business, BRIM seeks to reduce the loss that may arise from

catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to $200 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM did not have any reinsurance recoveries at June 30, 2010. BRIM does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. There have been no significant reductions in insurance coverage from the prior year.

Public Employees' Insurance Agency

PEIA provides a program of health, life, and prescription insurance for its member agencies. PEIA provides coverage for all participating state employees, including those of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by PEIA. PEIA's general objectives are to provide a basic employee benefit insurance program which includes hospital, surgical, major medical, prescription drug, and basic life and accidental death for all participating employers and employees. Underwriting and rate-setting policies are established by PEIA. The cost of all coverage, as determined by PEIA, shall be paid by the participants. Coverage under these programs is limited to $1 million lifetime for health and $500,000 of life insurance coverage. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, state vs. non-state employees, and active employee vs. retired employee. PEIA retains all risks for the health and prescription features of its indemnity plan. PEIA has transferred the risks for health and prescription coverage for those individuals covered by the Managed Care Organization (MCO) Plan to the plan providers. PEIA has reinsured 100% of the basic life benefits; however, PEIA remains contingently liable in the event the insurer does not honor its obligation. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 177,000 individuals, including participants and dependents.

Workers' Compensation Fund

The Workers' Compensation Commission (WCC) was an agency of the State of West Virginia. On February 16, 2005, the West Virginia legislature enacted "Senate Bill 1004" which established a framework for the privatization of the State's monopolistic workers' compensation system and created the means to transition the Workers' Compensation Commission into a domestic employers' mutual insurance company. On December 31, 2005, the West Virginia WCC ceased to exist as a separate state entity and all regulatory duties for workers' compensation insurance transitioned to the Office of the West Virginia

Insurance Commissioner (the Insurance Commissioner), as did the administrative oversight of certain assets and liabilities of the former WCC. The Industrial Council was established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Any other applicable state agency or department, whose functions are necessary for the regulation of the workers' compensation insurance industry, transferred to the Industrial Council including, but not limited to, the following WCC functions: rate-making, self-insurance, office of judges, and board of review. The Industrial Council consists of five voting members appointed by the governor, with the advice and consent of the Senate, who meet the prescribed requirements and qualifications.

On January 1, 2006, the former WCC became a private sector insurance company named BrickStreet Mutual Insurance Company (BrickStreet). BrickStreet's liabilities consist of all claims payment obligations (indemnity and medical expenses) for all claims, actual and incurred but not reported, with a date of injury on or after July 1, 2005. However, any payments made on these claims before January 1, 2006, were incurred by the WCF and BrickStreet liabilities began with claims payments becoming due and owing on said claims on or after January 1, 2006. A portion of the WCC's assets transferred to BrickStreet, included funding for BrickStreet's initial capital, as well as the transfer of a portion of the employees to the company. The remainder of the assets and employees transferred to the Industrial Council and the Insurance Commissioner.

The "workers' compensation old fund" (Old Fund) was created for those funds transferred to the offices of the Insurance Commissioner and those funds due and owing the workers' compensation fund as of June 30, 2005. The Old Fund assets and liabilities are the responsibility of the State and did not novate or otherwise transfer to BrickStreet. Disbursements from the Old Fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, with a date of injury on or before June 30, 2005.

Senate Bill 1004 also created the "workers' compensation uninsured employers' fund," "self-insured guaranty risk pool," "self-insured security risk pool," "private carrier guaranty fund," and an "assigned risk fund" in the State treasury. For financial statement presentation purposes, these funds as well as the "Old Fund" are included as the Workers' Compensation Fund (WCF) in the Proprietary Funds financial statements of the State.

Unpaid Claims Liabilities

The three insurance funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The estimates of the claims liabilities include amounts for nonincremental claims adjustment expense. The

length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not result in an exact amount. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. Accordingly, the actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the financial statements. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Information concerning the changes in those aggregate liabilities for the past two fiscal years is shown in the following table (expressed in thousands):

	BRIM		PEIA		WCF	
	2010	2009	2010	2009	2010	2009
Unpaid claims and claims adjustments expense liabilities, at beginning of year	$152,733	$162,228	$ 56,462	$ 51,277	$2,315,900	$2,537,600
Incurred claims and claims adjustment expense:						
Provision for insured events of the current fiscal year	51,388	55,894	427,392	400,289	1,480	924
Increase (decrease) in provision for insured events of prior fiscal years	(19,720)	(19,290)	530	(1,560)	43,702	(79,259)
Amortization of discount	—	—	—	—	108,646	120,369
Total incurred claims and claims adjustment expense	31,668	36,604	427,922	398,729	153,828	42,034
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	9,965	9,753	375,571	354,773	147	87
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	39,008	36,346	44,358	38,771	289,481	263,647
Total payments	48,973	46,099	419,929	393,544	289,628	263,734
Total unpaid claims and claims adjustment expense liability, end of year	$135,428	$152,733	$ 64,455	$ 56,462	$2,180,100	$2,315,900

The above PEIA payments are net of pharmacy rebates of $12,607,269 and $13,632,097 for the years ended June 30, 2010 and 2009, respectively.

Neither BRIM nor PEIA discount their estimated claims liability. If BRIM's unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2010 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net assets of approximately $12 million for fiscal year 2010. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2010, the total undiscounted claims liability for WCF approximated $3.5 billion. Invested assets of WCF are not sufficient at current investment rates to retire the claims liability and WCF has a significant deficit. GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool's expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on WCF's investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a rate of 5%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately $1.08 billion to a claims liability of approximately $3.1 billion, and the total deficit would have increased to approximately $2.09 billion at June 30, 2010.

The Insurance Commission management believes the discounted liability for unpaid claims and claims adjustment expenses is adequate. However, due to the inherent variability of the assumptions used to estimate this liability, actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the WCF's financial statements.

Fund Deficit and Deficit Funding Plan for Workers' Compensation

As stated earlier in this note, the WCC was terminated effective December 31, 2005, and its powers were transferred to the Industrial Council established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Senate Bill 1004 further established a workers' compensation debt reduction fund in the State treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2 (d): $30 million to be received annually until 2025 from the tobacco master settlement agreement, which was stopped in Senate Bill 185, March 2007, and replaced with $50.4 million in annual personal income tax proceeds in addition to the personal income tax proceeds already dedicated to the WCF, Code §29-22A-10, 10b: an estimated $11 million to be received annually from the video lottery income,

Code §11-13V-4: new and additional severance taxes imposed estimated to yield an approximate $94.2 million annually, Code §11-21-96: personal income tax proceeds of approximately $45 million annually, and Code §23-2C-3 (f) (3): monthly premium surcharges to be collected for all West Virginia employers expected to yield $46 million annually. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the Workers' Compensation Fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the Workers' Compensation Fund.

Required Supplementary Information

Each of the three risk pools has issued separate, audited financial reports on its operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract, if applicable, and ten-year claim development information.

Complete financial statements of the individual insurance enterprise funds, including additional detailed disclosures, can be obtained directly from their respective administrative offices:

Board of Risk and Insurance Management
90 MacCorkle Avenue, S.W.
Suite 203
South Charleston, WV 25303

Public Employees' Insurance Agency
601 57th St., SE
Suite 2
Charleston, WV 25304

Workers' Compensation Fund
c/o Insurance Commission
1124 Smith Street
Charleston, WV 25301

NOTE 15

COMMITMENTS AND CONTINGENCIES

Environmental Protection Claims

The State, through the Department of Environmental Protection (DEP), maintains several environmental protection programs including a bonding program for coal operators for mine reclamation; an abandoned oil and gas well bonding program; a Landfill Closure Assistance Program (LCAP); and an underground storage tank program. Under such programs, the State charges various fees, premiums, and other assessments, and sets bonding amounts that operators are required to maintain to ensure that funds are available in the event that the operator is unable to fulfill its environmental protection responsibilities. Based upon the State's estimate of the liability for incurred losses under the programs, the bonding amounts and funding structures established by the State have proven inadequate to fund the actual costs of environmental protection that the State has incurred in acceptance of the related insurance risk. As a result, the State has been required at various times to increase fees and bonding rates. Administrative changes in permitting regulations governing the industries and businesses benefiting from the State's maintenance of such environmental protection programs are constantly under review.

Management has estimated the total cost of remediation efforts to approximate $248.7 million at June 30, 2010. Approximately $4.8 million is available to pay current remediation costs and is recorded in the governmental funds. Because it is not expected that the remaining estimated remediation costs will be liquidated by expendable available financial resources, an additional $243.9 million obligation is reported as a liability in the governmental activities on the statement of net assets. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2010 (expressed in thousands):

Mine Reclamation Program	$144,327
Oil and Gas Well Program	158
Landfill Closure Assistance Program	94,041
Underground Storage Tanks	10,129
Total Environmental Liability	248,655
Less Current Portion	(29,365)
Environmental Liability, Net of Current Portion	$219,290

Mine Reclamation Program

The Special Reclamation Program was created to enable compliance with a federal mandate that allows the State to operate an alternative bonding program to ensure that mining

sites are reclaimed in accordance with federal and state regulations. This program created funds for reclamation costs if the operator does not perform the reclamation and the respective bond is forfeited by the operator. In addition, the State also accrues for active water treatment sites under this program. The State's estimated liability for these water treatment sites assumes a 20-year treatment period until the sites are properly reclaimed since the treatment costs beyond a 20-year period cannot be reasonably estimated. The actual length of water treatment and the actual ultimate liability could differ significantly from this estimate.

Forfeited operator bonds, as well as a tax imposed on clean mined coal, currently 14.4 cents per ton, are set aside to fund this program. The Special Reclamation Fund plans to make expenditures for reclamation and water treatment systems as more funding becomes available. The Legislature further established a Special Reclamation Fund Advisory Council (the Council). The Council's role is to develop a financial plan that ensures long-term stability of the special reclamation program. The Legislature further requires actuarial studies of the fund's fiscal soundness every two years.

Landfill Closure Assistance Program (LCAP)

The LCAP was established to provide landfill closure assistance to owners/permittees or landfills that were required to cease operations pursuant to certain statutory closure deadlines for noncomposite lined facilities. The program designs and constructs all closure-related activities necessary to provide sufficient leachate management, sediment and erosion control, gas management, groundwater monitoring and final cover cap on noncomposite lined landfills, as funds are available. The LCAP is closed to new applications; however, through the legislative process two landfills have been added to the original inventory. As of June 30, 2010, the liability is estimated at $94 million and is projected to be paid through fiscal year 2048. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the Department of Environmental Protection for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill costs.

Underground Storage Tank (UST) Program

The insurance fund for the operators of the underground storage tanks has discontinued accepting new operators into the fund. In response to a lawsuit filed against the fund, the fund's assets have largely been paid out on a pro rata share to those insured. DEP continues to pursue additional sources of money from the Governor and the Legislature that will allow the insured sites to be remediated in an approved voluntary remediation plan or other cost-effective manner. DEP's plan also requires the claimants to submit a schedule for the completion of the work, and it is DEP's objective to have a clearly determined date

by which remediation will be accomplished at all sites and no further reimbursements required. In this regard, it should be noted that 10 of 58 sites insured have been issued "no further action" letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. In the spring of 2008, the Legislature appropriated $4 million for the UST program. DEP has maintained an inventory of claims submitted that have not been approved for payment by the Underground Storage Tank Advisory Committee and DEP, and these invoices will be reviewed by a consultant before payment. DEP notified tank owners that it would reimburse owners for all approved past costs and reimburse the seven priority sites for any ongoing work. DEP has entered into formal agreements with 20 of the 48 site owners. The fund balance at June 30, 2010, was $4.8 million and there were claims paid from the fund in fiscal year 2010 of approximately $1 million. As of June 30, 2010, $10.1 million has been recorded as a liability in the accompanying financial statements.

The nature of the environmental liabilities requires the use of estimates and assumptions by management. Accordingly, it is at least reasonably possible that a significant change in the estimate will occur in the near term resulting from various factors including inflation, deflation, technology, or assumption changes, or change in applicable laws or regulations.

Other Contingencies

In addition to the $248.7 million in environmental protection claims, the State has recorded an obligation in the amount of $128.1 million, of which $23.3 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State's insurance carrier under its general liability or medical malpractice coverage.

There are several cases against the Revenue Department involving tax years 2003 through 2010. Collectively, the estimated exposure for these cases is approximately $27.4 million. These matters are being vigorously defended but recovery by the claimants is possible. As of June 30, 2010, a $11.4 million liability has been accrued related to these matters.

An employer who has been granted self-insured status for workers' compensation insurance coverage must post security with the WCF for an actuarially determined amount of its liabilities incurred with dates of injury prior to July 1, 2004. Payments made for claims of

employees of defaulted self-insured employers for injuries prior to July 1, 2004, will be made from the Self-insured Security Pool established by Senate Bill 1004. The assets of the Security Pool consist of the proceeds received from the security held by the WCF and any necessary assessments made to active self-insured employers for the default of a self-insured employer.

Payments for the injuries of defaulted self-insured employers incurred after July 1, 2004, will be made by the Self-insured Guaranty Pool; however, any self-insured employer who fails the analytical financial review will also be required to post security to the Guaranty Pool on any workers' compensation liabilities incurred after July 1, 2004. The Self-insured Guaranty Pool is funded through quarterly assessments to self-insured employers and the proceeds received from the security held. To the extent a self-insured employer cannot meet its obligations under the Law, the two self-insured pools previously discussed remain contingently liable for all policy benefits. The only sources of revenue permitted under the Law to fund the Security Pool and the Guaranty Pool must be obtained from self-insured employers. Self-insured employers are considered joint and severally liable for the obligations of a defaulted self-insured employer. The amount has not been included in the estimated liabilities for unpaid claims and claim adjustment expense because the likelihood of future self-insurer defaults has not been estimated.

It is not possible to predict with certainty the ultimate outcome of all lawsuits or claims pending or threatened against the State, including those discussed above, some of which may involve potentially significant amounts. Based on the current status of all legal proceedings for which accruals have not been made in the State's financial statements, it is the opinion of management and the Attorney General that the proceedings will not have a material adverse impact on the State's overall financial position. However, depending on the amount and timing of the resolution, some or all of these matters could materially affect the State's change in financial position or cash flows for a particular period.

Federal Grants

Payments received under the reimbursement arrangements with agencies of the federal government are subject to retroactive audit and adjustment. Management believes that adequate provisions have been made for reasonable adjustments that may result from regulatory reviews and disallowed costs. However, laws and regulations governing these programs are extremely complex and subject to different interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount. Management believes it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusions. As of June 30, 2010, the State has accrued $71.2 million related to such matters.

The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and other federal awards. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for allowable purposes. The State provides for estimates of any material disallowance arising in connection with the operation of these federally funded programs as such amounts become reasonably estimable. Federal awards are subject to financial and compliance audits under either the federal Single Audit Act or by grantor agencies of the federal government or their designees. The ultimate obligations that may arise from cost disallowance or sanctions as a result of those audits and the related impact on the financial statements of the State or its component units is unknown. The ultimate resolution of the regulatory review process could materially impact the State's future change in financial position or cash flows in a particular period.

Arbitrage Rebates

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates which are applicable to portions of the primary government and most of the discretely presented component units. Arbitrage rebate liabilities have been recorded in the financial statements under accrued and other liabilities, and the respective agencies have reserved estimated amounts for their future payment.

Construction and Other Commitments

(Expressed in Thousands)

	Amount Committed	Commitment
Governmental Funds:		
General Fund	$180,000	PERS Settlement
Transportation	655,569	Construction
Enterprise Funds:		
West Virginia Lottery	5,921	Capital assets
Water Pollution Control Revolving Fund	38,314	Committed for loans
West Virginia Infrastructure and Jobs Development Council	78,866	Funding of water and economic development projects
Drinking Water Treatment Revolving Fund	7,973	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
Economic Development Authority	35,914	Committed for loans
Housing Development Fund	9,490	Committed for loans
Parkway, Economic Development, and Tourism Authority	16,171	Turnpike improvements
Higher Education	56,425	Construction
School Building Authority	270,056	Acquisition, construction and maintenance grants to county school boards

The Department of Transportation's Inspection Program (the Department) has reviewed information on obsolete and deficient bridges. The Department is concerned about safety and tries to prioritize bridges for repair and replacement based on engineering assessments. The Department's long-range plans to address this issue will be impacted by actions that may be taken by both the federal and state government, including funding levels provided for this purpose, which cannot be estimated at this time.

West Virginia University has signed an agreement providing for the purchase of steam for a remaining period of 20 years. Under the agreement, West Virginia University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. The total payments for steam purchased under the agreement were approximately $7.8 million in 2010. Payments in future years will be dependent on actual operating costs and other cost indices in those years.

The West Virginia Providing Real Opportunities for Maximizing In-State Student Excellence (PROMISE) scholarship program provides scholarships to students within the West Virginia secondary education system who meet the scholarship requirements. The basic scholarship requirements include maintaining a 3.0 grade average, receiving an ACT composite score of 22 with a minimum sub-score of 20 in each of the four subject areas, and enrolling in a college or university in West Virginia. The program will pay for tuition and fees, and had $1 million at June 30, 2010, to fund the program obligations. Subsequent to year-end, the program received $29 million from the Lottery and $19 million in general revenue.

In an action brought by the United States of America versus the State, the United States prevailed on its claim that the State owed $11.9 million plus interest to the federal government, attributable to overcharges made to various agencies for the employees' share of retirement contributions made by the U.S. Government on behalf of federally funded state employees. On January 10, 2011, a settlement agreement was reached and the State has agreed to contribute $20 million per year for nine years to the PERS. As of June 30, 2010, a $180 million Due To Fiduciary Funds related to this matter has been recorded.

NOTE 16

SUBSEQUENT EVENTS

The West Virginia State Legislature authorized the issuance of new Education, Arts, Sciences, and Tourism bonds with the Economic Development Authority as the conduit agency for the funds. The Lottery Revenue Bonds 2010 Series A were issued for $155,620,000, dated August 1, 2010, between the Economic Development Authority and The Bank of New York Mellon, as Trustee. The Series A Bonds shall be secured by and payable from certain net profits of the West Virginia Lottery. Interest is payable on each June 15 and December 15, which began on December 15, 2010. Several universities and several state parks are to benefit from these funds.

DOT issued on behalf of the State, $35,135,000 in General Obligation State Road Refunding Bonds, Series 2010A on July 22, 2010, resulting in proceeds of $38,388.000. This bond issue refunds Series 1998 and Series 2001 General Obligation State Road Bonds with cumulative outstanding principal of $37,730,000 and will result in a net present value savings of $4,265,000 over the life of the bond issue. The effects of this transaction are not reflected in the accompanying financial statements.

Pursuant to Senate Bill 427, Parkways, Economic Development and Tourism Authority's legal name was changed to the West Virginia Parkways Authority effective July 1, 2010.

On July 8, 2010, the School Building Authority (SBA) issued $72,280,000 of Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2010A, which will mature through June 2027, bearing interest at 5.36%, to provide funds to make grants to finance capital improvements to public schools located in the State.

On July 27, 2010, the SBA issued $25,000,000 of Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2010B, which will mature through July 2025, bearing interest from 2.00% to 4.00%, to provide funds to make grants to finance capital improvements to public schools located in the State.

On July 1, 2010, the Housing Development Fund (HDF) redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of $5,240,000.

On July 22, 2010, the HDF sold $130,870,000 Housing Finance Bonds which closed on August 24, 2010. Bond proceeds in the amount of $95,870,000 were used to fully redeem the Housing Finance Bond 1998 Series A and B, 1999 Series A and B, and 2000 Series C bonds in September. The Housing Finance Bonds 2001 Series A and B were redeemed on November 1, 2010. Bond proceeds in the amount of $35,000,000 will be used to originate single-family mortgage loans.

On September 1, 2010, HDF redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of $8,450,000. Additional bonds were redeemed in November 2010 in the amount of $19,685,000, January 2011 in the amount of $4,185,000 and February 2011 in the amount of $5,850,000.

During August 2010, the Marshall University Board of Governors approved a resolution authorizing the refunding of all or a portion of the $40,690,000 outstanding principal amount of the State, Higher Education Interim Governing Board, Marshall University Facilities Revenue Bonds 2001 Series A and the possible financing of certain capital projects through the issuance of one or more series of bonds in a principal amount not to exceed $45,000,000.

As of November 30, 2010, AMBAC Financial Group (AMBAC), a bond insurance provider to the West Virginia Infrastructure and Jobs Development Council, Regional Jail Authority, Higher Education, School Building Authority, and the Water Development Authority filed for protection under the U.S. Bankruptcy Code. As a result, AMBAC's Standard and Poor's rating has been withdrawn.

On November 11, 2010, Standard & Poor's Ratings Services (S&P) downgraded its rating on the Tobacco Settlement Finance Authority (TSFA) Series 2007A bonds to "BB+ (negative outlook)" from "BBB" and on the Series 2007B bonds to B (negative outlook) from BB+. On October 1, 2010, Moody's Investor's Service downgraded the long-term debt and deposit ratings of DEPFA plc and DEPFA ACS by three notches to Baa3 from A3, as well as downgraded the rating of DEPFA plc for senior subordinated debt by three notches to Ba1 from Baa1. DEPFA plc is the provider of the debt service reserve fund investment maintained for the TSFA bonds. The ratings reports issued by S&P can be obtained from S&P, the website for which is www.standardandpoors.com. Moody's website is www.moodys.com.

On December 1, 2010, the TSFA made a turbo redemption payment to Series A Holders of $1,955,000.00.

Budgetary Comparison Schedule

Notes to RSI

Budget-to-GAAP Reconciliation

Pension Information

Required Supplementary Information (RSI)

Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	General Revenue Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes:				
Personal Income	$1,522,000	$1,522,000	$1,446,852	$ (75,148)
Consumer Sales	1,144,000	1,144,000	1,095,686	(48,314)
Severance	288,500	288,500	400,590	112,090
Corporate Income/Business Franchise	230,800	230,800	232,859	2,059
Business and Occupation	136,500	136,500	133,386	(3,114)
Gasoline and Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	248,600	248,600	240,295	(8,305)
Excess Lottery Transfer	127,900	127,900	128,869	969
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	28,750	28,750	32,440	3,690
Departmental Collections	14,100	14,100	14,807	707
Investment Earnings	25,000	25,000	11,907	(13,093)
Other	21,850	21,850	20,681	(1,169)
Industrial Access Road Transfer	—	—	—	—
Total Revenue	3,788,000	3,788,000	3,758,372	(29,628)
Expenditures:				
Legislative	25,901	25,900	22,040	3,860
Judicial	117,964	115,964	108,003	7,961
Executive	46,144	44,586	37,865	6,721
Administration	67,542	66,831	65,845	986
Commerce	67,213	64,931	52,242	12,689
Environmental Protection	8,242	7,962	7,831	131
Employment Programs	100	97	97	—
Education	2,266,636	2,193,266	2,177,331	15,935
Health and Human Resources	816,263	788,748	757,429	31,319
Military Affairs and Public Safety	330,684	321,713	303,652	18,061
Revenue	31,698	30,380	23,425	6,955
Transportation	7,490	7,235	3,685	3,550
Senior Services	—	—	—	—
Regulatory Boards and Commissions	90	87	18	69
Total Expenditures	3,785,967	3,667,700	3,559,463	108,237
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	2,033	120,300	198,909	78,609
Expenditures From Prior Year Appropriations	441,941	441,941	121,889	320,052
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	(439,908)	(321,641)	77,020	398,661
Budgetary Fund Balance, Beginning of Year, as Adjusted	444,266	444,266	444,266	—
Budgetary Fund Balance, End of Year	$ 4,358	$ 122,625	$ 521,286	$398,661

Federal Revenue				State Road			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	380,000	380,000	390,916	10,916
—	—	—	—	160,550	160,550	148,314	(12,236)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
3,606,993	4,673,553	3,597,811	(1,075,742)	684,087	684,087	495,266	(188,821)
—	—	—	—	89,407	89,407	87,388	(2,019)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	36,199	59,677	56,083	(3,594)
—	—	—	—	(3,000)	(3,000)	(3,000)	—
3,606,993	4,673,553	3,597,811	(1,075,742)	1,347,243	1,370,721	1,174,967	(195,754)
1,663	3,000	2,135	865	—	—	—	—
1,500	1,500	887	613	—	—	—	—
342,851	357,441	143,209	214,232	—	—	—	—
38,029	38,029	37,645	384	—	—	—	—
113,786	120,985	51,085	69,900	—	—	—	—
218,177	233,701	113,428	120,273	—	—	—	—
37,599	42,376	23,465	18,911	—	—	—	—
703,823	720,464	446,361	274,103	—	—	—	—
2,769,405	2,915,261	2,654,768	260,493	—	—	—	—
211,204	216,204	77,394	138,810	—	—	—	—
4,210	4,210	2	4,208	—	—	—	—
52,397	52,396	26,884	25,512	1,367,137	1,414,456	1,147,923	266,533
14,855	15,122	12,707	2,415	—	—	—	—
2,754	3,551	1,177	2,374	—	—	—	—
4,512,253	4,724,240	3,591,147	1,133,093	1,367,137	1,414,456	1,147,923	266,533
(905,260)	(50,687)	6,664	57,351	(19,894)	(43,735)	27,044	70,779
—	—	—	—	—	—	—	—
(905,260)	(50,687)	6,664	57,351	(19,894)	(43,735)	27,044	70,779
42,679	42,679	42,679	—	98,419	127,911	127,911	—
$ (862,581)	$ (8,008)	$ 49,343	$ 57,351	$ 78,525	$ 84,176	$ 154,955	$ 70,779

(Continued)

Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)
(Continued)

	Special Revenue			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes:				
Personal Income	$ —	$ —	$ —	$ —
Consumer Sales	—	—	—	—
Severance	—	—	—	—
Corporate Income/Business Franchise	—	—	—	—
Business and Occupation	—	—	—	—
Gasoline and Motor Carrier	—	—	—	—
Automobile Privilege	—	—	—	—
Other	—	—	—	—
Excess Lottery Transfer	—	—	—	—
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	—	—	—	—
Departmental Collections	1,910,237	1,917,861	1,605,469	(312,392)
Investment Earnings	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
Total Revenue	1,910,237	1,917,861	1,605,469	(312,392)
Expenditures:				
Legislative	4,441	4,135	1,000	3,135
Judicial	1,000	1,000	752	248
Executive	28,764	30,429	21,735	8,694
Administration	60,274	96,274	53,943	42,331
Commerce	102,886	48,886	27,941	20,945
Environmental Protection	59,937	60,167	28,170	31,997
Employment Programs	—	—	—	—
Education	244,903	330,057	233,241	96,816
Health and Human Resources	358,890	361,083	291,076	70,007
Military Affairs and Public Safety	30,127	35,504	20,004	15,500
Revenue	900,523	902,788	535,657	367,131
Transportation	10,006	10,006	4,227	5,779
Senior Services	64,437	65,057	63,397	1,660
Regulatory Boards and Commissions	31,102	90,451	86,255	4,196
Total Expenditures	1,897,290	2,035,837	1,367,398	668,439
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	12,947	(117,976)	238,071	356,047
Expenditures From Prior Year Appropriations	210,245	210,245	73,207	137,038
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	(197,298)	(328,221)	164,864	493,085
Budgetary Fund Balance, Beginning of Year, as Adjusted	1,497,013	1,497,013	1,497,013	—
Budgetary Fund Balance, End of Year	$1,299,715	$1,168,792	$1,661,877	$493,085

REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
Budgetary Reporting

The State's annual budget is prepared on a cash basis, modified only at year-end to allow for a 31-day period for the payment of vendor invoices for goods and services previously encumbered. Appropriations expire or lapse at the end of this period.

Budgetary Process

Appropriation requests for the upcoming fiscal year are submitted to the State Budget Office (Budget) by September 1. Budget conducts budget hearings and reviews revenue estimates for recommendation and preparation of the proposed budget. The Governor presents the proposed budget to the State Legislature in January. Included in that budget proposal is the Governor's official revenue estimate for the upcoming fiscal year. To maintain a balanced budget, the Legislature can appropriate expenditures only to the level of the Governor's official revenue estimate and prior year fund balance.

The Legislature also holds budget hearings, considers the effect of other proposed legislation, and gathers other information during its 60-day session which occurs January through March of each calendar year. During the last days of the legislative session, the Legislature passes the budget and the Governor approves, vetoes, or allows the budget to become law without signing.

In the event that there is a shortfall of General Revenue Fund collections during the year, the Governor may impose a spending reduction. In 1994, the Legislature created a Revenue Shortfall Reserve Fund (Rainy Day Fund) designed to prevent a spending reduction. By law, the first 50% of the General Revenue Fund surplus for a fiscal year is set aside in a reserve or Rainy Day Fund not to exceed 10% of the total appropriations from General Revenue for that year. This fund may be used to offset a shortfall of revenues which would otherwise require the Governor to impose expenditure reductions.

In the event of higher than estimated revenue collections throughout the year, supplemental appropriation requests may be made to the Legislature. Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of $206.4 million. During the budget process, the Legislature may also decide to reappropriate certain unexpended budgetary activities for expenditure in the next year. Accounts reappropriated generally relate to special activities or projects that may require several years to complete. Reappropriated prior year general revenue appropriations of $432.6 million are reported as "Expenditures From Prior Year Appropriations."

In addition to the above, in the event of a General Revenue budget surplus from the previous fiscal year, additional appropriation requests may be made to the Legislature. Appropriations from 2009 General Revenue were increased approximately $9.3 million for surplus appropriations. The $9.3 million surplus appropriations are also reported as "Expenditures From Prior Year Appropriations."

After the budget is legally enacted, certain appropriations from General Revenue may be altered or transferred within each Cabinet Secretariat. The transfers may not exceed more than 5% of the funds appropriated to any one agency or board, and are altered at the budgetary activity level. Other specific transfers are allowed in all the budgetary funds from the object classes of personal services and unclassified budget object classes to employee benefits or from personal services and employee benefits to other budget object classes, and are not limited to Secretariat authority.

The budget laws provide for the ability of the Governor to increase the appropriations of the budgetary Appropriated Special Revenue Funds and the Federal Funds when the Legislature is not in session. Detailed spending plans, identification of new revenue sources, and justifications are required for review and approval.

Budgetary Control

The State Legislature annually appropriates those general government activities determined to be important to controlling the financial operations of the State. The Legislature appropriates expenditures for those defined budgetary activities, often further defined by the object classes of personal services, employee benefits, equipment repairs and alterations, or unclassified.

The State's accounting system controls expenditures for appropriated accounts at the budgetary activity level on a predefined quarterly basis. The State Auditor exercises control over spending at the budgetary activity level on an annual appropriation basis.

Budget further monitors the rate and nature of spending for all budgetary accounts by requiring the organization responsible for the budgeted activities to submit annual spending plans reflecting further details on their expected quarterly spending patterns and the types of expenditures for the budgeted accounts. From these spending plans, Budget monitors and limits expenditures within predefined quarterly allotments. Expenditures during a quarter may not exceed the amount of the approved allotment, unless the Governor approves the expenditure of a larger amount. Any amounts remaining unexpended at the close of a quarter are available for reallocation and expenditure during any succeeding quarter of the same fiscal year.

Budget also utilizes encumbrance accounting to control purchase orders and other commitments. Under the budgetary process, unexpended appropriations and encumbrances expire at the end of the 31-day period following each fiscal year-end. All unpaid invoices and claims after that date must be submitted by the vendor to the State Court of Claims, unless the related activity has been reappropriated by the Legislature.

Budgetary Funds

The State uses four budgetary fund groups to summarize accounts or activities which have been legally appropriated. The budgetary fund groups are described as follows:

> General Revenue Fund – consists primarily of the major tax revenues of the State such as Consumer Sales Tax, Personal Income Tax, Business and Occupation Tax, Corporate Net Income Tax, and Severance Tax. The General Revenue Fund supports the operation of certain primary government activities and certain other agencies.
>
> Federal Fund – consists of any financial awards made to any state agency by the U.S. Government, whether a loan, grant, subsidy, augmentation, reimbursement or any other form of such awards, including state funds used for federal matching purposes.
>
> Road Fund – consists of revenues from gasoline and other motor fuel excise and license taxes, motor vehicle registration and license fees, and all other revenue derived from motor vehicles or motor fuel. The Road Fund is appropriated by the Legislature and used solely for construction, repair, and maintenance of public highways, and also for the payment of interest and principal on all road bonds.
>
> Appropriated Special Revenue Fund – consists of individual accounts created for special purposes. These accounts generate revenue derived from established rates or fees. The spending within these accounts is limited to the amount collected or the amount appropriated by the Legislature, whichever is less.

The State has other special revenue accounts which are not appropriated. These accounts are special accounts which derive revenues from special fees or charges, or exist for internal agency purposes such as payroll clearing accounts, cost allocations, etc., but are not subject to specific legislative appropriation. Accordingly, these accounts have not been reported in the State's budgetary comparison schedule.

2010 Budgetary Reporting

The State's budgetary General Revenue Fund surplus for the year ended June 30, 2010, is calculated as follows (expressed in thousands):

Preliminary General Revenue Fund current year excess of revenues over expenditures as reflected on Budgetary Comparison Schedule	$198,909
Less accounts reappropriated for spending in FY 2011	(96,281)
Accumulated surplus	102,628
Less amount to be transferred to Revenue Shortfall Reserve Fund	(51,314)
General Revenue Fund FY 2010 surplus available for appropriation in FY 2011	$ 51,314

In August 2010 after the close of the fiscal year, $51.3 million from the State's General Revenue Fund surplus for the year was transferred to the Reserve Fund, which represents the statutory requirement to transfer 50% of the budgetary surplus at the end of the fiscal year.

The State's budgetary General Revenue Fund and the Appropriated Special Revenue Fund balances at July 1, 2009, have been adjusted as follows (expressed in thousands):

General Revenue Fund:	
Beginning Fund Balance	$454,753
Prior Year Refunds	581
Less Transfer to Rainy Day Fund	(11,068)
Adjusted Beginning Fund Balance	$444,266

Budgetary Reporting and GAAP

Because the budgetary basis differs from accounting principles generally accepted in the United States, budget and actual amounts in the accompanying Budgetary Comparison Schedule are presented on the budgetary basis. A more detailed budgetary basis report, Supplementary Information to the State of West Virginia Comprehensive Annual Financial Report, is produced for internal purposes to demonstrate budgetary compliance and is available at the Financial Accounting and Reporting Section for public inspection. A reconciliation that compares the excess of revenues over expenditures on a budgetary basis for the year ended June 30, 2010, to the excess of revenues and other financing sources over expenditures and other financing uses presented in conformity with accounting principles generally accepted in the United States is set forth in the following schedule.

Required Supplementary Information
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	General Revenue Fund	Federal Fund	Road Fund	Appropriated Special Revenue Fund
SOURCES/INFLOWS OF RESOURCES				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 3,758,372	$ 3,597,811	$1,174,967	$ 1,605,469
Differences - Budget to GAAP:				
Intrafund transactions not included in GAAP revenues	(3,663,325)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(522,635)	—	(50,246)	—
Other Basis of Accounting Difference	431,296	—	(374,391)	—
Reclassifications:				
Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation, and Other Funds	4,020,087	—	411,789	—
Budgetary special revenue funds transferred to GAAP General, Transportation, and Other Funds	798,755	—	11,149	(1,605,469)
Budgetary federal funds transferred to GAAP General, Transportation, and Other Funds	3,428,838	(3,597,811)	26,883	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 8,251,388	$ —	$1,200,151	$ —
USES/OUTFLOWS OF RESOURCES				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 3,681,352	$ 3,591,147	$1,147,923	$ 1,440,605
Differences - Budget to GAAP:				
Intrafund transactions not included in GAAP expenditures	(3,663,325)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(320,120)	—	(1,140)	—
Other Basis of Accounting Difference	640,756	—	28,776	—
Reclassifications:				
Nonappropriated Budgetary Fund's expenditures/transfers out included as expense in the GAAP General, Transportation, and Other Funds	3,842,563	—	62,257	—
Budgetary general revenue funds transferred to GAAP General, Transportation, and Other Funds	(10,881)	—	4,443	—
Budgetary special revenue funds transferred to GAAP General, Transportation, and Other Funds	746,633	—	5,877	(1,440,605)
Budgetary federal funds transferred to GAAP General, Transportation, and Other Funds	3,423,483	(3,591,147)	26,884	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 8,340,461	$ —	$1,275,020	$ —

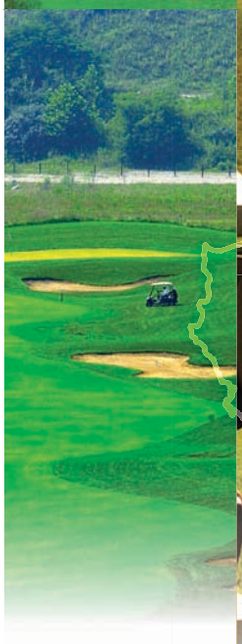
Required Supplementary Information
Schedule of Funding Progress
(Expressed in Thousands)

Pension Plans

	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Excess of Assets Over) Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (Excess) as a Percentage of Covered Payroll
TRS							
	2009	$3,554,771	$8,607,869	$5,053,098	41.3%	$1,499,232	337.0%
	2008	$4,133,883	$8,268,578	$4,134,695	50.0%	$1,409,437	293.4%
	2007	$3,665,993	$7,142,711	$3,476,718	51.3%	$ 828,939	419.4%
PSDDRF							
	2009	$ 362,927	$ 573,579	$ 210,652	63.3%	$ 10,215	2062.2%
	2008	$ 459,182	$ 547,623	$ 88,441	83.9%	$ 10,400	850.4%
	2007	$ 513,009	$ 527,393	$ 14,384	97.3%	$ 10,997	130.8%
SPRS							
	2009	$ 40,321	$ 61,628	$ 21,307	65.4%	$ 22,382	95.2%
	2008	$ 41,564	$ 51,388	$ 9,824	80.9%	$ 20,285	48.4%
	2007	$ 40,350	$ 40,786	$ 436	98.9%	$ 18,850	2.3%
JRS							
	2009	$ 88,310	$ 93,185	$ 4,875	94.8%	$ 8,140	59.9%
	2008	$ 100,186	$ 97,965	$ (2,221)	102.3%	$ 8,261	0.0%
	2007	$ 104,127	$ 96,018	$ (8,109)	108.4%	$ 8,261	0.0%

Nonmajor Funds
Governmental
Proprietary
Fiduciary

Nonmajor
Component Units



Combining Financial Statements and Schedules

STATE OF WEST VIRGINIA
JUNE
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GOVERNMENTAL FUND TYPES - NONMAJOR

Special Revenue:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes.

Debt Service:

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects:

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These funds consist of the following:

State Road This constitutionally established Fund is operated within the Department of Transportation. Certain taxes, fees, and other revenue sources are collected and expended for the construction and maintenance of roads.

Lease Purchase Account This account is established to ensure that revenues and expenditures for the acquisition of capital assets through lease-purchase agreements are properly recorded.

Permanent Funds:

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the State's programs, for the benefit of the government or its citizenry.

The Irreducible School Fund The Fund, which was constitutionally established, is required to maintain a minimum level of investments. All earnings from these investments are transferred to the General Fund for educational expenditures.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(Expressed in Thousands)

	Special Revenue	Debt Service
Assets:		
Cash and Cash Equivalents	$259,141	$58,067
Investments	34,874	18,990
Receivables, Net	8,866	—
Due from Other Governments	506	—
Due from Other Funds	224	1,000
Due from Component Units	1	—
Inventories	44	—
Restricted Assets:		
Cash and Cash Equivalents	1,934	—
Total Assets	$305,590	$78,057
Liabilities:		
Accounts Payable	$ 11,146	$ —
Accrued and Other Liabilities	9,227	—
Due to Other Governments	12,295	—
Due to Other Funds	18,790	—
Due to Component Units	37	—
Total Liabilities	51,495	—
Fund Balances:		
Nonspendable:		
Inventories	44	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	78,057
Development, Tourism, and Recreation	34,877	—
Education	—	—
Public Protection	23,363	—
Committed to:		
Government Operations	6,764	—
Public Protection	191,383	—
Assigned to:		
Health and Social Services	649	—
Public Protection	2,568	—
Unassigned	(5,553)	—
Total Fund Balances	254,095	78,057
Total Liabilities and Fund Balances	$305,590	$78,057

Capital Projects		Permanent Fund	
State Road	Lease Purchase Account	Irreducible School	Total
$20,337	$10,255	$1,393	$349,193
—	—	—	53,864
—	—	—	8,866
—	—	—	506
—	—	—	1,224
—	—	—	1
—	—	—	44
—	—	—	1,934
$20,337	$10,255	$1,393	$415,632
$ 2,168	$ —	$ —	$ 13,314
—	—	—	9,227
—	—	—	12,295
141	—	—	18,931
—	—	—	37
2,309	—	—	53,804
—	—	—	44
—	—	1,000	1,000
18,028	10,255	—	28,283
—	—	—	78,057
—	—	—	34,877
—	—	393	393
—	—	—	23,363
—	—	—	6,764
—	—	—	191,383
—	—	—	649
—	—	—	2,568
—	—	—	(5,553)
18,028	10,255	1,393	361,828
$20,337	$10,255	$1,393	$415,632

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Special Revenue	Debt Service
Revenues:		
Intergovernmental	$173,985	$ —
Licenses, Permits, and Fees	119,723	—
Charges for Services	–	—
Investment Earnings	5,368	583
Other	7,689	—
Total Revenues	306,765	583
Expenditures:		
Legislative	3,131	—
Administration	—	12
Environmental Protection	141,312	2
Employment Programs	60,483	—
Health and Human Resources	—	14
Military Affairs and Public Safety	—	3
Revenue	30,450	—
Regulatory Boards and Commissions	24,039	2
Capital Outlay	—	—
Debt Service:		
Principal	—	41,230
Interest	—	37,859
Total Expenditures	259,415	79,122
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,350	(78,539)
Other Financing Sources (Uses):		
Capital Lease Acquisition	—	—
Transfers In	4,347	77,112
Transfers Out	(36,617)	(2,334)
Total Other Financing Sources (Uses)	(32,270)	74,778
Net Change in Fund Balances	15,080	(3,761)
Fund Balances, Beginning of Year, as Restated	239,015	81,818
Fund Balances, End of Year	$254,095	$ 78,057

Capital Projects		Permanent Fund	
State Road	Lease Purchase Account	Irreducible School	Total
$ 27,591	$ —	$ —	$201,576
—	—	—	119,723
—	—	4	4
(967)	2	—	4,986
—	—	389	8,078
26,624	2	393	334,367
—	—	—	3,131
—	—	—	12
—	—	—	141,314
—	—	—	60,483
—	—	—	14
—	15	—	18
—	286	—	30,736
—	—	—	24,041
37,745	10,735	—	48,480
20,845	—	—	62,075
6,746	—	—	44,605
65,336	11,036	—	414,909
(38,712)	(11,034)	393	(80,542)
—	11,015	—	11,015
—	—	—	81,459
(202)	(24)	(309)	(39,486)
(202)	10,991	(309)	52,988
(38,914)	(43)	84	(27,554)
56,942	10,298	1,309	389,382
$ 18,028	$ 10,255	$1,393	$361,828

SPECIAL REVENUE FUNDS

Nonmajor Funds

Environmental Protection The Fund consists of various programs intended to maintain and improve the environmental quality of the State and its natural resources. Included in this Fund are programs addressing the following: Underground Storage Tanks, Groundwater, Solid Waste Environmental Response and Enforcement, Special Reclamation, Mines and Minerals, Dam Safety, Hazardous Waste Emergency Response, Oil and Gas Reclamation, Oil and Gas Operating Permit and Processing, as well as other miscellaneous programs.

Public Service Commission The Commission is responsible for appraising and balancing the interests of current and future utility service customers, the State's economy, and the utilities subject to its jurisdiction. It is directed to identify, explore and consider the potential benefits and risks associated with emerging and state-of-the-art concepts in utility management, rate design, and conservation.

Crime Victims' Compensation The intent of the Fund is to provide partial relief to the innocent victims of crime, including claimant's attorneys and witnesses, for the failure of the State to fully provide for the safety of its citizens and the inviolability of their property. To fund this program, individuals convicted of any felony or misdemeanor, excluding nonmoving traffic violations, must pay an additional amount over and above ordinary court costs.

Insurance Commission The Commission is responsible for promoting a competitive and solvent insurance market of domestic, foreign, and alien insurers. Additionally, the Fund is authorized to promulgate and adopt and enforce such rules and regulations relating to insurance as are deemed necessary to protect and safeguard the interests of policyholders and the public.

WORKFORCE West Virginia The Bureau of Employment Programs doing business as WORKFORCE West Virginia includes the Employment Service Division (ES) and the administrative activities of the Unemployment Compensation Division (UC). Local offices are operated throughout the State to serve those seeking and providing employment.

Wildlife Resources Fund The Fund is responsible for recognizing the inestimable importance of conserving the wildlife resources of West Virginia. In addition, the Fund provides the opportunity for citizens and residents of the State to invest in the future of its wildlife resources. The Fund is financed from the proceeds of the sale of lifetime hunting and fishing licenses, as well as proceeds from gifts, grants, and contributions. The interest on this Fund shall be used only for the purpose of supporting wildlife conservation programs of the State.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010
(Expressed in Thousands)

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Assets:			
Cash and Cash Equivalents	$185,993	$21,097	$6,732
Investments	—	—	—
Receivables, Net	2,491	—	32
Due from Other Governments	—	506	—
Due from Other Funds	58	2	—
Due from Component Units	—	—	—
Inventories	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	409	1,525	—
Total Assets	$188,951	$23,130	$6,764
Liabilities:			
Accounts Payable	$ 10,388	$ 216	$ —
Accrued and Other Liabilities	6,028	1,842	—
Due to Other Governments	3,018	6,940	—
Due to Other Funds	8,651	3,119	—
Due to Component Units	—	—	—
Total Liabilities	28,085	12,117	—
Fund Balances (Deficits):			
Nonspendable:			
Inventories	—	—	—
Restricted for:			
Development, Tourism, and Recreation	—	—	—
Public Protection	21,276	2,087	—
Committed to:			
Government Operations	—	—	6,764
Public Protection	137,055	8,893	—
Assigned to:			
Health and Social Services	—	—	—
Public Protection	2,535	33	—
Unassigned	—	—	—
Total Fund Balances (Deficits)	160,866	11,013	6,764
Total Liabilities and Fund Balances	$188,951	$23,130	$6,764

Insurance Commission	WORKFORCE West Virginia	Wildlife Resources Fund	Total
$43,456	$ 1,860	$ 3	$259,141
—	—	34,874	34,874
6,205	138	—	8,866
—	—	—	506
74	90	—	224
—	1	—	1
—	44	—	44
—	—	—	1,934
$49,735	$ 2,133	$34,877	$305,590
$ 58	$ 484	$ —	$ 11,146
546	811	—	9,227
—	2,337	—	12,295
3,696	3,324	—	18,790
—	37	—	37
4,300	6,993	—	51,495
—	44	—	44
—	—	34,877	34,877
—	—	—	23,363
—	—	—	6,764
45,435	—	—	191,383
—	649	—	649
—	—	—	2,568
—	(5,553)	—	(5,553)
45,435	(4,860)	34,877	254,095
$49,735	$ 2,133	$34,877	$305,590

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Revenues:			
Intergovernmental	$115,039	$ 1,903	$2,135
Licenses, Permits, and Fees	51,004	22,771	1,589
Investment Earnings	221	—	195
Other	7,688	—	—
Total Revenues	173,952	24,674	3,919
Expenditures:			
Legislative	—	—	3,131
Environmental Protection	141,312	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	—	24,039	—
Total Expenditures	141,312	24,039	3,131
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,640	635	788
Other Financing Sources (Uses):			
Transfers In	3,145	—	—
Transfers Out	(34,695)	(120)	(2)
Total Other Financing Sources (Uses)	(31,550)	(120)	(2)
Net Change in Fund Balances	1,090	515	786
Fund Balances, Beginning of Year, as Restated	159,776	10,498	5,978
Fund Balances, End of Year	$160,866	$11,013	$6,764

Insurance Commission	WORKFORCE West Virginia	Wildlife Resources Fund	Total
$ —	$ 54,908	$ —	$173,985
42,722	—	1,637	119,723
5	—	4,947	5,368
—	—	1	7,689
42,727	54,908	6,585	306,765
—	—	—	3,131
—	—	—	141,312
—	60,483	—	60,483
30,450	—	—	30,450
—	—	—	24,039
30,450	60,483	—	259,415
12,277	(5,575)	6,585	47,350
—	1,202	—	4,347
—	—	(1,800)	(36,617)
—	1,202	(1,800)	(32,270)
12,277	(4,373)	4,785	15,080
33,158	(487)	30,092	239,015
$45,435	$ (4,860)	$34,877	$254,095

DEBT SERVICE FUNDS

Nonmajor Funds

West Virginia Infrastructure and Jobs Development Council The Council coordinates the review and funding of water, wastewater, and economic development projects in the State. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest for the Council's general obligation debt.

Education, Arts, Sciences, and Tourism Fund This fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued to provide public financial support for constructing, equipping, improving, and maintaining capital improvement projects which promote education, arts, sciences, and tourism in the State.

Lease Purchase Account This account is established to ensure that revenues and expenditures for the debt service of the lease-purchase agreements are properly recorded.

Economic Development Project Fund This fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued to provide funds to finance a portion of the costs of construction, equipping, improving or maintaining economic development projects, capital improvement projects and infrastructure projects which promote economic development in the State.

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2010
(Expressed in Thousands)

	West Virginia Infrastructure and Jobs Development Council	Education, Arts, Sciences, and Tourism Fund	Lease Purchase Account	Economic Development Project Fund	Total
Assets:					
Cash and Cash Equivalents	$1,035	$26,197	$8,602	$22,233	$58,067
Investments	—	—	—	18,990	18,990
Due from Other Funds	—	1,000	—	—	1,000
Total Assets	$1,035	$27,197	$8,602	$41,223	$78,057
Fund Balances:					
Restricted for Debt Service	$1,035	$27,197	$8,602	$41,223	$78,057
Total Liabilities and Fund Balances	$1,035	$27,197	$8,602	$41,223	$78,057

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	West Virginia Infrastructure and Jobs Development Council	Education, Arts, Sciences, and Tourism Fund	Lease Purchase Account	Economic Development Project Fund	Total
Revenues:					
Investment Earnings	$ —	$ 2	$ 3	$ 578	$ 583
Expenditures:					
Administration	—	3	9	—	12
Environmental Protection	—	—	2	—	2
Health and Human Resources	—	—	14	—	14
Military Affairs and Public Safety	—	—	3	—	3
Regulatory Boards and Commissions	—	—	2	—	2
Debt Service:					
Principal	13,740	9,115	10,485	7,890	41,230
Interest	9,281	643	16,980	10,955	37,859
Total Expenditures	23,021	9,761	27,495	18,845	79,122
Deficiency of Revenues Under Expenditures	(23,021)	(9,759)	(27,492)	(18,267)	(78,539)
Other Financing Sources (Uses):					
Transfers In	24,000	8,240	26,039	18,833	77,112
Transfers Out	—	—	(2,334)	—	(2,334)
Total Other Financing Sources	24,000	8,240	23,705	18,833	74,778
Net Change in Fund Balances	979	(1,519)	(3,787)	566	(3,761)
Fund Balances, Beginning of Year, as Restated	56	28,716	12,389	40,657	81,818
Fund Balances, End of Year	$ 1,035	$27,197	$ 8,602	$ 41,223	$ 78,057

INTERNAL SERVICE FUNDS FINANCIAL STATEMENTS

Internal Service Funds account for the operations of those state agencies that provide goods and services to other state agencies and governmental units on a cost-reimbursement basis. The Internal Service Funds consist of the following:

State Building Fund The Fund operates and maintains the primary state government office building complex and related facilities. These facilities are leased to the State agencies that occupy the facilities.

Information Services and Communications The Fund is responsible for establishing, developing, and improving data-processing functions, for promulgating standards for the utilization of data-processing equipment, and for promoting the effective and efficient operation of the legislative, executive, and judicial branches of State Government. Costs are recovered through service charges to user agencies.

Travel Management The Fund, a central motor pool responsible for the storage, maintenance, and repairs of state-owned vehicles and aircraft, is maintained by the Department of Administration. User agencies are billed for leasing such vehicles and for use of aircraft.

Investment Management Board The Board serves as the Trustee to provide prudent fiscal administration, investment, and management of the State's pension funds, workers' compensation, pneumoconiosis, and other long-term funds.

Board of Treasury Investments The BTI serves as investment vehicle for the operating cash of state agencies and authorities, local governments, and other political subdivisions.

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2010
(Expressed in Thousands)

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	$ 1,254	$ 6,516	$ 1,390	$5,320	$ 901	$ 15,381
Receivables, Net	—	204	—	4,312	468	4,984
Due from Other Funds	177	6,699	446	—	—	7,322
Due from Component Units	—	222	17	—	—	239
Inventories	273	403	—	—	—	676
Other Assets	127	—	—	118	—	245
Restricted Assets:						
Cash and Cash Equivalents	—	—	3,591	—	—	3,591
Total Current Assets	1,831	14,044	5,444	9,750	1,369	32,438
Noncurrent Assets:						
Other Assets	—	—	—	28	—	28
Restricted Assets:						
Cash and Cash Equivalents	74,587	—	—	—	—	74,587
Capital Assets, Net	87,313	18,256	16,761	23	1	122,354
Total Noncurrent Assets	161,900	18,256	16,761	51	1	196,969
Total Assets	163,731	32,300	22,205	9,801	1,370	229,407
Liabilities:						
Current Liabilities:						
Accounts Payable	2,863	4,646	203	5,464	386	13,562
Accrued and Other Liabilities	114	288	5	—	—	407
Due to Other Governments	36	98	2	—	—	136
Due to Other Funds	174	212	1,727	—	56	2,169
Due to Fiduciary Funds	973	2,916	130	—	—	4,019
Due to Component Units	—	31	—	—	—	31
Capital Leases and Other Debt	90	4,454	3,206	—	—	7,750
Total Current Liabilities	4,250	12,645	5,273	5,464	442	28,074
Noncurrent Liabilities:						
Capital Leases and Other Debt	3,384	13,529	5,322	—	—	22,235
Compensated Absences	341	1,241	73	—	—	1,655
Total Noncurrent Liabilities	3,725	14,770	5,395	—	—	23,890
Total Liabilities	7,975	27,415	10,668	5,464	442	51,964
Net Assets:						
Invested in Capital Assets, Net of Related Debt	83,839	1,492	8,233	23	1	93,588
Restricted for Capital Projects	74,588	—	—	—	—	74,588
Unrestricted (Deficit)	(2,671)	3,393	3,304	4,314	927	9,267
Total Net Assets	$155,756	$ 4,885	$11,537	$4,337	$ 928	$177,443

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Operating Revenues:						
Charges for Services	$ 14,025	$35,994	$ 7,354	$28,021	$2,852	$ 88,246
Operating Expenses:						
Cost of Sales and Services	28,536	32,434	2,553	24,485	2,378	90,386
General and Administration	958	1,449	756	3,495	204	6,862
Depreciation and Amortization	3,928	5,227	5,372	12	3	14,542
Total Operating Expenses	33,422	39,110	8,681	27,992	2,585	111,790
Operating Income (Loss)	(19,397)	(3,116)	(1,327)	29	267	(23,544)
Nonoperating Revenues (Expenses):						
Gain on Sale of Equipment	—	—	336	—	—	336
Investment Income	15	—	—	1	—	16
Interest Expense	(186)	(43)	(188)	—	—	(417)
Other Nonoperating Revenues	—	—	485	—	—	485
Total Nonoperating Revenues (Expenses), Net	(171)	(43)	633	1	—	420
Income (Loss) Before Transfers	(19,568)	(3,159)	(694)	30	267	(23,124)
Transfers In	13,536	—	—	—	—	13,536
Transfers Out	(5,303)	—	—	—	—	(5,303)
Total Transfers	8,233	—	—	—	—	8,233
Change in Net Assets	(11,335)	(3,159)	(694)	30	267	(14,891)
Net Assets, Beginning of Year	167,091	8,044	12,231	4,307	661	192,334
Net Assets, End of Year	$155,756	$ 4,885	$11,537	$ 4,337	$ 928	$177,443

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Cash Flows from Operating Activities:						
Receipts from Customers	$ 14,153	$ 37,379	$ 7,161	$ 27,560	$ 2,794	$ 89,047
Payments to Suppliers	(24,102)	(18,731)	(2,115)	(24,651)	(2,537)	(72,136)
Payments to Employees	(5,478)	(13,542)	(939)	(2,637)	—	(22,596)
Net Cash Provided by (Used for) Operating Activities	(15,427)	5,106	4,107	272	257	(5,685)
Cash Flows from Noncapital Financing Activities:						
Transfers In	13,536	—	—	—	—	13,536
Transfers Out	(5,303)	—	—	—	—	(5,303)
Net Cash Provided by Noncapital Financing Activities	8,233	—	—	—	—	8,233
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Sale of Capital Bonds and Other Debts	—	—	6,641	—	—	6,641
Repayment of Capital Debt	(88)	(4,276)	(4,603)	—	—	(8,967)
Interest Paid on Capital Debt	(186)	(41)	(188)	—	—	(415)
Acquisition and Construction of Capital Assets	(12,986)	(507)	(4,134)	—	—	(17,627)
Proceeds from Sale of Capital Assets	—	—	771	—	—	771
Net Cash Used for Capital and Related Financing Activities	(13,260)	(4,824)	(1,513)	—	—	(19,597)
Cash Flows from Investing Activities:						
Purchase of Investments	(400)	—	—	—	—	(400)
Proceeds from Sale of Investments	400	—	—	—	—	400
Investment Earnings	15	—	—	—	—	15
Net Cash Provided by Investing Activities	15	—	—	—	—	15
Net Increase (Decrease) in Cash and Cash Equivalents	(20,439)	282	2,594	272	257	(17,034)
Cash and Cash Equivalents, Beginning of Year	96,280	6,234	2,387	5,048	644	110,593
Cash and Cash Equivalents, End of Year	$ 75,841	$ 6,516	$ 4,981	$ 5,320	$ 901	$ 93,559

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Operating Income (Loss)	$(19,397)	$(3,116)	$(1,327)	$ 29	$267	$ (23,544)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization	3,928	5,227	5,372	12	3	14,542
Changes in Assets and Liabilities:						
Receivables	127	1,385	(193)	(461)	(58)	800
Inventories	(55)	16	—	—	—	(39)
Other Assets	—	—	—	(57)	—	(57)
Accounts Payable and Accrued Liabilities	(805)	(357)	183	749	45	(185)
Other Liabilities	775	1,951	72	—	—	2,798
Net Cash Provided by (Used for) Operating Activities	$(15,427)	$ 5,106	$ 4,107	$ 272	$257	$ (5,685)
Schedule of Non-Cash Capital and Financing Activities:						
Incurred Capital Leases	$ —	$15,116	$ —	$ —	$ —	$ 15,116

PROPRIETARY FUNDS - NONMAJOR

Drinking Water Treatment Revolving Fund Low interest loans are made to communities to assist in financing drinking water infrastructure projects including, but not limited to, treatment, distribution, transmission, and storage. The Fund is to remain in perpetuity by recirculating the principal and interest earned from the loans.

Alcohol Beverage Control Administration The Administration is responsible for the regulation and control of the manufacture, sale, distribution, transportation, storage, and consumption of alcoholic liquors. The Administration shall establish stores and agencies and shall fix uniform prices for the sale of alcoholic liquors.

West Virginia Prepaid College Plan The Plan is responsible for providing individuals and organizations the opportunity to prepay future college tuition and mandatory fees at West Virginia public and private colleges and universities. Prices for contracts are based on weighted-average tuition and mandatory fees as determined annually by the Plan's consulting actuaries and its Board. In March 2003, the West Virginia Legislature closed the Prepaid Tuition Plan to new contracts until the Legislature authorizes the Plan to reopen. The Prepaid Tuition Plan will continue in existence and no contracts in effect will be affected by the closure. All contract holders will continue to pay any amounts due, including monthly installments, penalties and fees, and the Prepaid Tuition Plan will continue to pay all benefits due.

West Virginia Correctional Industries (WVCI) WVCI uses the services of inmates to manufacture and produce articles and products to furnish necessities, including furniture, cleaning supplies, institutional products, signs, and printing services, to any government and/or nonprofit organization in West Virginia, units of the federal government, and units of government of other states. The Commissioner of the Division of Corrections has exclusive authority to execute contracts for the sale of products manufactured or serviced at State correctional facilities and shall determine the prices of WVCI articles and products. The prices shall be uniform for all, and as near as is practicable, to the fair market price. The Commissioner may also enter into contracts with private entities under which inmate or resident labor is provided through WVCI for work involving the delivery of products or for service work.

AccessWV The Plan is responsible for providing health care coverage consistent with comprehensive coverage to every eligible person who is not eligible for Medicare. The Plan shall be operated so as to qualify as an acceptable alternative mechanism under the federal Health Insurance Portability and Accountability Act and as an option to provide health insurance coverage for individuals eligible for the federal health care tax credit established by the federal Trade Adjustment Assistance Reform Act of 2002 (Section 35 of the Internal Revenue Code of 1986). The coverage to be issued by the Plan, its schedule of benefits, exclusions, and other limitations shall be established by the board and subject to the approval of the Insurance Commissioner. The Plan will establish and modify, from time to time, as appropriate, rates, rate schedules, rate adjustments, expense allowances, agents' referral fees, claim reserve formulas, and any other actuarial function appropriate to the operation of the Plan.

Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2010
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	West Virginia Correctional Industries	AccessWV	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	$18,304	$20,010	$ 3,084	$1,673	$13,015	$ 56,086
Receivables, Net	3,073	205	828	82	—	4,188
Due from Other Funds	—	2	13	1,636	—	1,651
Due from Component Units	—	—	—	54	—	54
Inventories	—	19	—	1,771	—	1,790
Total Current Assets	21,377	20,236	3,925	5,216	13,015	63,769
Noncurrent Assets:						
Investments	—	—	77,283	—	—	77,283
Receivables, Net	62,928	2,257	1,553	—	—	66,738
Capital Assets, Net	—	1,916	—	403	—	2,319
Total Noncurrent Assets	62,928	4,173	78,836	403	—	146,340
Total Assets	84,305	24,409	82,761	5,619	13,015	210,109
Liabilities:						
Current Liabilities:						
Accounts Payable	—	2,963	81	300	13	3,357
Accrued Tuition Contract Benefits	—	—	12,590	—	—	12,590
Accrued and Other Liabilities	—	—	—	29	99	128
Due to Other Funds	—	14,761	56	—	—	14,817
Insurance Claims Obligations	—	—	—	—	550	550
Compensated Absences	—	—	33	—	—	33
Total Current Liabilities	—	17,724	12,760	329	662	31,475
Noncurrent Liabilities:						
Accrued Tuition Contract Benefits	—	—	92,161	—	—	92,161
Compensated Absences	—	269	—	140	—	409
Total Noncurrent Liabilities	—	269	92,161	140	—	92,570
Total Liabilities	—	17,993	104,921	469	662	124,045
Net Assets (Deficit):						
Invested in Capital Assets, Net of Related Debt	—	1,916	—	403	—	2,319
Restricted for:						
Government Operations	—	—	997	—	—	997
Lending Activities	84,305	2,130	—	—	—	86,435
Insurance Activities	—	—	—	—	12,353	12,353
Unrestricted (Deficit)	—	2,370	(23,157)	4,747	—	(16,040)
Total Net Assets (Deficit)	$84,305	$ 6,416	$ (22,160)	$5,150	$12,353	$ 86,064

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	West Virginia Correctional Industries	AccessWV	Total
Operating Revenues:						
Charges for Services and Sales	$ 627	$ 79,614	$ —	$8,479	$ 5,654	$ 94,374
Tuition Contracts	—	—	(43)	—	—	(43)
Licenses, Permits, and Fees	—	3,538	—	—	—	3,538
Other	—	104	778	—	118	1,000
Total Operating Revenues	627	83,256	735	8,479	5,772	98,869
Operating Expenses:						
Cost of Sales and Services	—	61,988	—	4,169	—	66,157
Insurance Claims and Claims Adjustment Provisions	—	—	—	—	4,238	4,238
Tuition Contract Benefits and Expenses	—	—	8,165	—	—	8,165
General and Administration	—	6,501	887	3,218	325	10,931
Depreciation and Amortization	—	152	—	127	—	279
Other	7,361	—	—	84	—	7,445
Total Operating Expenses	7,361	68,641	9,052	7,598	4,563	97,215
Operating Income (Loss)	(6,734)	14,615	(8,317)	881	1,209	1,654
Nonoperating Revenues (Expenses):						
Loss on Sale of Equipment	—	—	—	(65)	—	(65)
Interest and Other Investment Income	25	126	12,199	—	(18)	12,332
Other Nonoperating Revenues	—	37,889	—	—	—	37,889
Other Nonoperating Expenses	—	(1)	—	—	—	(1)
Total Nonoperating Revenues (Expenses), Net	25	38,014	12,199	(65)	(18)	50,155
Income (Loss) Before Transfers	(6,709)	52,629	3,882	816	1,191	51,809
Transfers:						
Transfers In	16,996	200	130	—	—	17,326
Transfers Out	—	(49,784)	—	—	—	(49,784)
Total Transfers	16,996	(49,584)	130	—	—	(32,458)
Change in Net Assets	10,287	3,045	4,012	816	1,191	19,351
Net Assets (Deficit), Beginning of Year, as Restated	74,018	3,371	(26,172)	4,334	11,162	66,713
Net Assets (Deficit), End of Year	$84,305	$ 6,416	$(22,160)	$5,150	$12,353	$ 86,064

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	West Virginia Correctional Industries	AccessWV	Total
Cash Flows From Operating Activities:						
Receipts from Customers	$ 2,943	$ 83,554	$ 803	$ 8,653	$ 5,772	$101,725
Payments to Suppliers	—	(63,503)	(401)	(5,314)	(4,217)	(73,435)
Payments to Employees	—	(4,888)	(382)	(2,349)	(37)	(7,656)
Payments to Beneficiaries	—	—	(8,669)	—	—	(8,669)
Payments for Loans Originated	(20,755)	—	—	—	—	(20,755)
Other Operating Cash Receipts	—	—	725	—	13	738
Other Operating Cash Payments	—	—	—	(548)	—	(548)
Net Cash Provided by (Used for) Operating Activities	(17,812)	15,163	(7,924)	442	1,531	(8,600)
Cash Flows from Noncapital Financing Activities:						
Transfers In	16,996	200	180	—	—	17,376
Transfers Out	—	(35,799)	—	—	—	(35,799)
Liquor License Renewals	—	35,759	—	—	—	35,759
Net Cash Provided by Noncapital Financing Activities	16,996	160	180	—	—	17,336
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	—	(138)	—	(25)	—	(163)
Net Cash Used for Capital and Related Financing Activities	—	(138)	—	(25)	—	(163)
Cash Flows from Investing Activities:						
Purchase of Investments	—	—	(912)	—	—	(912)
Proceeds from Sale of Investments	—	—	8,200	—	—	8,200
Investment Earnings	25	—	914	—	(18)	921
Net Cash Provided by (Used for) Investing Activities	25	—	8,202	—	(18)	8,209
Net Increase (Decrease) in Cash and Cash Equivalents	(791)	15,185	458	417	1,513	16,782
Cash and Cash Equivalents, Beginning of Year, as Restated	19,095	4,825	2,626	1,256	11,502	39,304
Cash and Cash Equivalents, End of Year	$18,304	$ 20,010	$ 3,084	$ 1,673	$13,015	$ 56,086

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)
(Continued)

	Business-type Activities - Enterprise Funds					
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	West Virginia Correctional Industries	AccessWV	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Operating Income (Loss)	$ (6,734)	$14,615	$(8,317)	$881	$1,209	$ 1,654
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization	—	152	—	127	—	279
Changes in Assets and Liabilities:						
Receivables	(11,078)	297	793	175	—	(9,813)
Inventories	—	15	—	(379)	—	(364)
Accounts Payable and Accrued Liabilities	—	(425)	63	(365)	240	(487)
Tuition Contracts Benefits and Expenses	—	—	(505)	—	—	(505)
Due to/from Other Funds	—	598	—	—	—	598
Compensated Absences	—	(89)	42	3	82	38
Net Cash Provided by (Used for) Operating Activities	$(17,812)	$15,163	$(7,924)	$442	$1,531	$ (8,600)
Schedule of Noncash Capital and Financing Activities:						
Unrealized Gain on Investments	$ —	$ —	$11,280	$—	$ —	$11,280

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust These Funds are accounted for in essentially the same manner as proprietary funds and are described below:

Consolidated Public Retirement Board The Consolidated Public Retirement Board consists of nine plans. There are eight defined benefit plans as follows: The Public Employees' Retirement System (PERS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another State or municipal retirement system. The Deputy Sheriff Retirement System (DSRS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers all deputy sheriffs hired on or after July 1, 1998, as well as eligible transferees from PERS. The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The Teachers' Retirement System (TRS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers all full-time employees of the public school systems in the state, as well as certain personnel of the State-supported institutions of higher education, State Department of Education, and Boards of higher education. The Public Safety Death, Disability and Retirement Fund (PSDDRF) plan is a single-employer defined benefit public employee retirement system. This plan covers all West Virginia State Police hired before July 1, 1994. The State Police Retirement System (SPRS) was implemented to cover all State Police employees hired on or after July 1, 1994. The Judges Retirement System (JRS) plan is a single-employer defined benefit public employee retirement system. This plan covers the State's judges who elect to participate. The Teachers' Defined Contribution Retirement System (TDCRS) plan is a multiple-employer defined contribution retirement system. This plan primarily covers full-time employees of the State's county public

school systems. The Municipal Police Officers and Firefighters Retirement System (MPFRS) plan is a multiple-employer defined benefit retirement system. This plan provides for any municipality or municipal subdivision employing municipal police officers or firefighters.

Other Employee Benefit Trust Fund This fund type is used to report a trust arrangement and is accounted for in essentially the same manner as proprietary funds.

The West Virginia Retiree Health Benefit Trust Fund The West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust, was established under West Virginia Code 5-16D and is administered by the West Virginia Public Employees Insurance Agency (PEIA) and the PEIA Finance Board. The RHBT is a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. It provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, dental, and prescription drug coverage for retired employees of the State of West Virginia and various non-State agencies and their dependents. All premium rates for plan members and employers are established based upon actuarially determined projected coverage costs as reviewed and approved by the Finance Board of PEIA.

Combining Statement of Plan Net Assets
Pension Trust and Other Employee
Benefit Trust Funds
June 30, 2010
(Expressed in Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement Fund	State Police Retirement System	Judges' Retirement System
Assets:					
Cash and Cash Equivalents	$ 183	$ 5	$ 1	$ —	$ —
Investments:					
Equity in Pooled Investments	3,682,115	4,099,694	404,446	52,739	102,814
Mutual Funds	—	—	—	—	—
Receivables, Net:					
Contributions	2,766	32,348	—	—	—
Participant Loans	5	11,296	—	—	—
Accounts	—	—	—	—	—
Due from Other Funds	181,472	324	—	—	—
Due from Component Units	241	—	—	—	—
Total Assets	3,866,782	4,143,667	404,447	52,739	102,814
Liabilities:					
Accrued and Other Liabilities	130	127	3	4	—
Due to Other Funds	64	—	—	—	—
Insurance Claims Payable	—	—	—	—	—
Total Liabilities	194	127	3	4	—
Net Assets Held in trust for Pension and Other Postemployment Benefits	$3,866,588	$4,143,540	$404,444	$52,735	$102,814

Teachers' Defined Contribution Retirement System	Deputy Sheriff Retirement System	Emergency Medical Services Retirement System	Municipal Police Officers and Firefighters	Total Pension Trust Funds	Other Employee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
$ 6,030	$ —	$ —	$—	$ 6,219	$218,752	$ 224,971
—	91,548	23,345	3	8,456,704	229,477	8,686,181
251,966	—	—	—	251,966	—	251,966
2,396	493	317	—	38,320	3,641	41,961
6	531	—	—	11,838	—	11,838
—	—	—	—	—	1,123	1,123
—	120	—	—	181,916	2,282	184,198
—	—	—	—	241	18	259
260,398	92,692	23,662	3	8,947,204	455,293	9,402,497
565	—	—	—	829	963	1,792
—	—	—	—	64	22,105	22,169
—	—	—	—	—	9,590	9,590
565	—	—	—	893	32,658	33,551
$259,833	$92,692	$23,662	$3	$8,946,311	$422,635	$9,368,946

Combining Statement of Changes in Plan Net Assets
Pension Trust and Other Employee
Benefit Trust Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement Fund	State Police Retirement System	Judges' Retirement System
Additions:					
Contributions:					
Members	$ 56,974	$ 103,706	$ 909	$ 3,005	$ 649
Employers	319,284	417,403	1,514	3,396	3,954
Total Contributions	376,258	521,109	2,423	6,401	4,603
Investment Income:					
Net Appreciation in Fair Value of Investments	501,293	520,516	55,866	6,251	13,551
Interest	28,293	24,377	3,125	377	781
Investment Expense	(10,724)	(11,445)	(1,155)	(152)	(298)
Net Investment Income	518,862	533,448	57,836	6,476	14,034
Transfers to (from) Plans	188	(62)	—	—	(103)
Other	1,128	39,818	10,655	143	—
Total Additions	896,436	1,094,313	70,914	13,020	18,534
Deductions:					
Benefits Expense	265,263	494,230	29,347	369	3,937
Refunds of Contributions	8,515	7,247	—	202	86
Administrative Expenses	4,340	4,067	50	35	7
Total Deductions	278,118	505,544	29,397	606	4,030
Change in Net Assets Held in Trust for Pension and Other Postemployment Benefits	618,318	588,769	41,517	12,414	14,504
Net Assets, Beginning of Year	3,248,270	3,554,771	362,927	40,321	88,310
Net Assets, End of Year	$3,866,588	$4,143,540	$404,444	$52,735	$102,814

Teachers' Defined Contribution Retirement System	Deputy Sheriff Retirement System	Emergency Medical Services Retirement System	Municipal Police Officers and Firefighters	Total Pension Trust Funds	Other Employee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
$ 6,932	$ 3,335	$ 1,772	$2	$ 177,284	$ 63,450	$ 240,734
10,129	4,053	2,190	1	761,924	129,866	891,790
17,061	7,388	3,962	3	939,208	193,316	1,132,524
22,139	11,938	2,619	—	1,134,173	22,460	1,156,633
—	773	154	—	57,880	6,800	64,680
—	(265)	(69)	—	(24,108)	—	(24,108)
22,139	12,446	2,704	—	1,167,945	29,260	1,197,205
(23)	—	—	—	—	—	—
6	549	29	—	52,328	1,213	53,541
39,183	20,383	6,695	3	2,159,481	223,789	2,383,270
—	5,327	—	—	798,473	192,952	991,425
6,164	503	171	—	22,888	—	22,888
891	81	35	—	9,506	5,616	15,122
7,055	5,911	206	—	830,867	198,568	1,029,435
32,128	14,472	6,489	3	1,328,614	25,221	1,353,835
227,705	78,220	17,173	—	7,617,697	397,414	8,015,111
$259,833	$92,692	$23,662	$3	$8,946,311	$422,635	$9,368,946

INVESTMENT TRUST FUNDS

Investment Trust Funds The investment trust funds account for the external portion of the State's external investment pools. The State maintains two external investment pools, the West Virginia Money Market and West Virginia Government Money Market pools. The external portion belongs to local governments and municipalities. These Funds are accounted for in essentially the same manner as proprietary funds.

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2010
(Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Assets:			
Cash and Cash Equivalents	$77,821	$173,200	$251,021
Total Assets	$77,821	$173,200	$251,021
Net Assets:			
Held in Trust for External Investment Pool Participants	$77,821	$173,200	$251,021
Total Net Assets	$77,821	$173,200	$251,021

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Additions:			
Deposits, Pool Participants	$318,898	$413,227	$732,125
Investment Income:			
Net Appreciation in Fair Value of Investments	130	217	347
Total Additions	319,028	413,444	732,472
Deductions:			
Withdrawals	327,099	416,641	743,740
Change in Net Assets Held in Trust for External Investment Pool Participants	(8,071)	(3,197)	(11,268)
Net Assets, Beginning of Year	85,892	176,397	262,289
Net Assets, End of Year	$ 77,821	$173,200	$251,021

AGENCY FUNDS

Agency Funds These Funds are custodial in nature and do not involve measurement of operations. They include the following:

Local Government This includes two funds, the Local Government Fund and the Municipal Bond Commission, which account for taxes collected by the State that are to be remitted to respective local governments.

Other Agency Funds These funds are the Consolidated Investment Pool, the Patient Injury Compensation Fund, and other small agency funds which account for various assets and liabilities generated through agency relationships. These include patient and inmate funds and other amounts collected on behalf of third parties, performance bonds required by the Department of Energy and Labor, the Department of Environmental Protection, and other restricted assets held by the Governor's Office of Community and Industrial Development. The Patient Injury Compensation Fund was created for the purpose of providing fair and reasonable compensation in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of limitations on economic damage awards for trauma care, or as a result of the operation of the joint and several liability principles and standards set forth in the West Virginia State Code.

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2010
(Expressed in Thousands)

	Local Government		Other Agency			
	Local Government	Municipal Bond Commission	Consolidated Investment Pool	Patient Injury Compensation Fund	Other Agency Funds	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	$122	$2,988	$27,948	$4,523	$20,883	$56,464
Receivables, Net	—	—	3	1	1	5
Total Assets	$122	$2,988	$27,951	$4,524	$20,884	$56,469
Liabilities:						
Current Liabilities:						
Accounts Payable	$ —	$ —	$ —	$ —	$ 7	$ 7
Due to Other Governments	122	2,988	—	—	—	3,110
Agency Liabilities	—	—	27,951	4,524	20,877	53,352
Total Liabilities	$122	$2,988	$27,951	$4,524	$20,884	$56,469

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Balance July 1, 2009, as Restated	Additions	Deductions	Balance June 30, 2010
Local Government				
Assets:				
Cash	$ 772	$1,258,222	$1,258,872	$ 122
Total Assets	$ 772	$1,258,222	$1,258,872	$ 122
Liabilities:				
Accounts Payable	$ 5	$ 8,454	$ 8,459	$ —
Due to Other Governments	767	1,249,768	1,250,413	122
Total Liabilities	$ 772	$1,258,222	$1,258,872	$ 122
Municipal Bond Commission				
Assets:				
Cash	$ 8,720	$ 407,664	$ 413,396	$ 2,988
Total Assets	$ 8,720	$ 407,664	$ 413,396	$ 2,988
Liabilities:				
Accounts Payable	$ —	$ 165,934	$ 165,934	$ —
Due to Other Governments	8,720	241,730	247,462	2,988
Total Liabilities	$ 8,720	$ 407,664	$ 413,396	$ 2,988
Consolidated Investment Pool				
Assets:				
Cash	$ 7,295	$ 18,429	$ 18,591	$ 7,133
Equity in Pooled Cash Equivalents	18,199	4,440	1,824	20,815
Accrued Interest Receivable	4	—	1	3
Total Assets	$25,498	$ 22,869	$ 20,416	$27,951
Liabilities:				
Accounts Payable	$ —	$ 804	$ 804	$ —
Agency Liabilities	25,498	22,065	19,612	27,951
Total Liabilities	$25,498	$ 22,869	$ 20,416	$27,951
Patient Injury Compensation Fund				
Assets:				
Cash and Cash Equivalents	$ 43	$ 1,807	$ 1,810	$ 40
Equity in Pooled Cash Equivalents	5,375	8	900	4,483
Accrued Interest Receivable	1	1	1	1
Total Assets	$ 5,419	$ 1,816	$ 2,711	$ 4,524
Liabilities:				
Accounts Payable	$ —	$ 1,803	$ 1,803	$ —
Agency Liabilities	5,419	13	908	4,524
Total Liabilities	$ 5,419	$ 1,816	$ 2,711	$ 4,524

	Balance July 1, 2009, as Restated	Additions	Deductions	Balance June 30, 2010
Other Agency Funds				
Assets:				
Cash and Cash Equivalents	$16,865	$ 864,285	$ 864,367	$16,783
Equity in Pooled Cash Equivalents	4,290	377	567	4,100
Accrued Interest Receivable	1	1	1	1
Total Assets	$21,156	$ 864,663	$ 864,935	$20,884
Liabilities:				
Accounts Payable	$ 1,819	$ 807	$ 2,619	$ 7
Agency Liabilities	19,337	863,856	862,316	20,877
Total Liabilities	$21,156	$ 864,663	$ 864,935	$20,884
Total - All Agency Funds				
Assets:				
Cash and Cash Equivalents	$33,695	$2,550,407	$2,557,036	$27,066
Equity in Pooled Cash Equivalents	27,864	4,825	3,291	29,398
Accrued Interest Receivable	6	2	3	5
Total Assets	$61,565	$2,555,234	$2,560,330	$56,469
Liabilities:				
Accounts Payable	$ 1,824	$ 177,802	$ 179,619	$ 7
Due to Other Governments	9,487	1,491,498	1,497,875	3,110
Agency Liabilities	50,254	885,934	882,836	53,352
Total Liabilities	$61,565	$2,555,234	$2,560,330	$56,469

STATE OF WEST VIRGINIA
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DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Nonmajor Component Units

Educational Broadcasting Authority The Authority is responsible for extending educational, cultural, and informational experiences to all citizens of the State through the construction and operation of noncommercial, educational television and radio stations, and related facilities. Revenues for operations are derived primarily through private donations, with additional supplements from federal and state grants.

Jobs Investment Trust The Board is responsible for improving and promoting economic development in the State. It can issue loans to businesses that will stimulate economic growth and provide or retain jobs in the State.

West Virginia State Rail Authority The Authority is responsible for the rehabilitation, improvement, and restoration of the financial stability of the railway system in the State, enabling it to remain a viable mode of transportation for the public sector. The Authority, empowered to issue bonds and set rates for the rail system, additionally receives federal and state grants to supplement the cost of operations.

Solid Waste Management Board The Board is responsible for the improved collection and disposal of solid wastes, and for encouraging recycling, reuse, or recovery of resources from wastes. The intent of the Board is to become a viable financing mechanism for solid waste projects in West Virginia, and it is empowered to issue bonds and set rate structures at its discretion.

Racing Commission The Commission has full jurisdiction and supervision over all horse and dog race meetings, and all persons involved in the holding or conducting of horse or dog race meetings. It can fix the annual fee for permits and registrations. Other racing taxes and fees are set by West Virginia State Code, Chapter 19, Article 23.

Public Defenders Corporation The Corporation is responsible for fulfilling the State's obligation to provide legal representation to eligible clients. Funding of the individual public defender corporations is by appropriation determined by the executive director of the Public Defender Services.

Combining Statement of Net Assets
Nonmajor Discretely Presented Component Units
June 30, 2010
(Expressed in Thousands)

	Educational Broadcasting Authority	Jobs Investment Trust	WV State Rail Authority
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 972	$ 7,385	$ 4,075
Investments	339	—	—
Receivables, Net	558	—	50
Due from Primary Government	221	—	—
Inventories	—	—	40
Other Assets	111	—	1
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Total Current Assets	2,201	7,385	4,166
Noncurrent Assets:			
Investments	—	9,459	—
Receivables, Net	—	4,559	—
Other Assets	—	208	—
Restricted Assets:			
Receivables, Net	—	—	—
Other Restricted Assets	267	—	—
Capital Assets, Net	6,732	575	37,324
Total Noncurrent Assets	6,999	14,801	37,324
Total Assets	9,200	22,186	41,490
Liabilities:			
Current Liabilities:			
Accounts Payable	196	—	1
Accrued and Other Liabilities	—	19	42
Due to Primary Government	870	7	197
Unearned Revenue	37	—	3
Capital Leases and Other Debt	—	5,632	—
Compensated Absences	347	—	50
Total Current Liabilities	1,450	5,658	293
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	77
Liabilities Payable from Restricted Assets	—	—	—
Capital Leases and Other Debt	—	20,008	—
Compensated Absences	109	—	—
Total Noncurrent Liabilities	109	20,008	77
Total Liabilities	1,559	25,666	370
Net Assets (Deficit):			
Investment in Capital Assets, Net of Related Debt	6,732	575	37,324
Restricted for:			
Nonexpendable	267	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted	642	(4,055)	3,796
Total Net Assets (Deficit)	$7,641	$ (3,480)	$41,120

Solid Waste Management Board	Racing Commission	Public Defender Corporation	Total
$2,388	$ 7,401	$3,636	$ 25,857
—	—	—	339
191	27	—	826
—	1	—	222
—	—	—	40
1	—	61	174
1,769	33,491	—	35,260
329	758	—	1,087
4,678	41,678	3,697	63,805
—	—	—	9,459
—	—	—	4,559
—	—	—	208
2,428	—	—	2,428
—	—	—	267
9	11	646	45,297
2,437	11	646	62,218
7,115	41,689	4,343	126,023
109	722	2,160	3,188
—	42	263	366
125	484	28	1,711
—	—	2	42
—	—	23	5,655
—	—	733	1,130
234	1,248	3,209	12,092
200	—	—	200
—	—	—	77
—	33,490	—	33,490
—	—	147	20,155
29	120	—	258
229	33,610	147	54,180
463	34,858	3,356	66,272
9	11	483	45,134
—	—	—	267
4,325	—	—	4,325
2,318	6,820	504	10,025
$6,652	$ 6,831	$ 987	$ 59,751

Combining Statement of Activities
Nonmajor Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Component Units:				
Educational Broadcasting Authority	$11,444	$ 2,085	$1,812	$ (7,547)
Jobs Investment Trust	4,245	279	—	(3,966)
WV State Rail Authority	4,030	2,273	—	(1,757)
Solid Waste Management Board	2,256	2,182	—	(74)
Racing Commission	3,479	3,456	—	(23)
Public Defender Corporation	17,666	—	—	(17,666)
Total Component Units	$43,120	$10,275	$1,812	$(31,033)

General Revenue							
Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenue	Change in Net Assets	Net Assets, Beginning of Year	Net Assets, End of Year
$—	$650	$487	$ 5,498	$ 6,635	$ (912)	$ 8,553	$ 7,641
15	—	—	1,300	1,315	(2,651)	(829)	(3,480)
5	—	—	2,444	2,449	692	40,428	41,120
1	—	96	—	97	23	6,629	6,652
—	—	5	—	5	(18)	6,849	6,831
5	—	18	16,795	16,818	(848)	1,835	987
$26	$650	$606	$26,037	$27,319	$(3,714)	$63,465	$59,751

STATE OF WEST VIRGINIA
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Financial Trends

Revenue Capacity

Debt Capacity

Demographics and Economic Information

Operating Information

Miscellaneous

Statistical Section

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Statistical Section
Index

Financial Trends - These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Schedule 1 - Net Assets by Component 230
Schedule 2 - Changes in Net Assets 232
Schedule 3 - Fund Balances - Governmental Funds 236
Schedule 4 - Changes in Fund Balances - Governmental Funds 238

Revenue Capacity Information - These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Schedule 5 - Revenue Base 240
Schedule 6 - Revenue Rates 242
Schedule 7 - Revenue Payers by Industry/Category 244

Debt Capacity Information - These schedules contain trend information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

Schedule 8 - Ratios of Outstanding Debt 246
Schedule 9 - Pledged Revenue Coverage 248

Demographics and Economic Information - These schedules offer indicators to help the reader understand the environment within which the government's financial activities take place.

Schedule 10 - Demographics and Economic Indicators 252
Schedule 11 - Principal Employers 254
Schedule 12 - Education Enrollment 255

Operating Information - These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the state government.

Schedule 13 - State Employees by Function 256
Schedule 14 - Operating Indicators by Function 258
Schedule 15 - Capital Assets Statistics by Function 260

Miscellaneous Statistics - This information may provide the reader with more insight into the State's financial and demographic status.

Schedule 16 - Miscellaneous Statistics 262

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule 1
Net Assets by Component
Last Nine Fiscal Years
(Expressed in Thousands)

	2010	2009	2008
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	$ 7,909,484	$ 7,532,883	$ 7,230,626
Restricted	435,296	817,524	926,541
Unrestricted Assets (Deficit)	1,407,481	1,725,672	1,402,670
Total Governmental Activities Net Assets	$ 9,752,261	$10,076,079	$ 9,559,837
Business-type Activities			
Invested in Capital Assets, Net of Related Debt	$ 31,428	$ 11,732	$ 12,330
Restricted	1,432,449	1,000,274	1,074,139
Unrestricted Assets (Deficit)	(744,459)	(1,095,509)	(1,329,576)
Total Business-type Activities Net Assets (Deficit)	$ 719,418	$ (83,503)	$ (243,107)
Primary Government			
Invested in Capital Assets, Net of Related Debt	$ 7,940,912	$ 7,544,615	$ 7,242,956
Restricted	1,867,745	1,817,798	2,000,680
Unrestricted Assets (Deficit)	663,022	630,163	73,094
Total Primary Government Net Assets	$10,471,679	$ 9,992,576	$ 9,316,730

Note: The State implemented Governmental Accounting Standards Boards Statement No. 34 during fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

The Workers' Compensation Fund (WCF) had negative claims payment trends during fiscal years ended June 30, 2001 and 2002, which continued into fiscal 2003. In June 2003, a special legislative session passed several pieces of legislation making major changes to the workers' compensation laws that became effective in fiscal year 2004. These changes caused the WCF deficit to improve. In February 2005, additional legislation was passed that caused the formation of an employer's mutual insurance company to replace the WCF. The "workers' compensation old fund" was created for those funds due and owing the Workers' Compensation Fund as of June 30, 2005. The old fund did not novate to the new employer's mutual.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

Beginning in FY 2010, the WV Infrastructure and Jobs Development Council is no longer included in the Governmental Funds and is now accounted for as an Enterprise Fund. Previous amounts have not been restated.

2007	2006	2005	2004	2003	2002
$6,934,539	$ 6,771,494	$ 6,448,005	$ 6,196,704	$ 5,910,605	$ 5,424,495
861,508	714,802	1,262,989	1,078,859	772,580	523,238
846,987	91,573	(817,257)	(667,181)	(548,510)	(549,510)
$8,643,034	$ 7,577,869	$ 6,893,737	$ 6,608,382	$ 6,134,675	$ 5,398,223
$ 4,049	$ 2,775	$ 9,361	$ 9,372	$ 10,900	$ 10,169
1,026,973	944,256	775,140	687,891	809,685	821,418
(1,704,657)	(2,017,602)	(2,224,984)	(2,897,674)	(3,256,853)	(2,645,138)
$ (673,635)	$(1,070,571)	$(1,440,483)	$(2,200,411)	$(2,436,268)	$(1,813,551)
$6,938,588	$ 6,774,269	$ 6,457,366	$ 6,206,076	$ 5,921,505	$ 5,434,664
1,888,481	1,659,058	2,038,129	1,766,750	1,582,265	1,344,656
(857,670)	(1,926,029)	(3,042,241)	(3,564,855)	(3,805,363)	(3,194,648)
$7,969,399	$ 6,507,298	$ 5,453,254	$ 4,407,971	$ 3,698,407	$ 3,584,672

Schedule 2
Changes in Net Assets
Last Nine Fiscal Years
(Expressed in Thousands)

	2010	2009	2008
Governmental Activities			
Expenses:			
Legislative	$ 28,896	$ 29,552	$ 28,027
Judicial	124,627	106,933	102,738
Executive	261,764	143,872	128,261
Administration	163,662	201,469	213,546
Commerce	204,178	201,901	204,448
Environmental Protection	141,279	110,652	74,827
Employment Programs	57,286	45,000	56,122
Education	2,850,805	2,821,883	2,646,434
Health and Human Resources	4,088,254	3,737,102	3,451,206
Military Affairs and Public Safety	441,068	427,575	381,104
Revenue	270,870	83,458	51,242
Transportation	1,064,417	977,616	876,073
Senior Services	46,671	43,729	43,701
Regulatory Boards and Commissions	36,917	35,079	35,168
Interest on Long-Term Debt	135,534	141,756	140,208
Total Expenses	9,916,228	9,107,577	8,433,105
Program Revenues:			
Charges for Services:			
Legislative	1,598	1,644	1,654
Judicial	929	907	1,014
Executive	19,787	17,365	15,248
Administration	29,086	28,337	29,115
Commerce	46,009	48,685	45,684
Environmental Protection	49,450	56,016	44,720
Employment Programs	—	—	—
Education	3,352	3,096	1,698
Health and Human Resources	84,680	81,230	74,960
Military Affairs and Public Safety	10,352	12,957	11,097
Revenue	69,800	45,944	62,352
Transportation	100,533	91,669	102,561
Senior Services	1	—	4
Regulatory Boards and Commissions	30,407	26,121	27,897
Total Charges for Services	445,984	413,971	418,004
Operating Grants and Contributions:			
Legislative	2,135	1,212	255
Judicial	986	850	813
Executive	164,062	40,551	35,615
Administration	38,498	37,716	36,670
Commerce	59,632	34,220	38,138
Environmental Protection	121,366	67,529	50,090
Employment Programs	54,460	46,804	55,839
Education	452,315	377,749	380,708
Health and Human Resources	3,077,246	2,783,872	2,365,068
Military Affairs and Public Safety	74,472	67,269	95,331
Revenue	12	156	—
Senior Services	20,614	14,310	21,244
Regulatory Boards and Commissions	2,014	2,598	2,937
Total Operating Grants and Contributions	4,067,812	3,474,836	3,082,708
Capital Grants and Contributions:			
Executive	57,442	—	41
Administration	—	—	28
Education	—	—	1,027
Military Affairs and Public Safety	18,758	11,518	4,743
Transportation	558,947	476,779	419,810
Total Capital Grants and Contributions	635,147	488,297	425,649
Total Program Revenues	5,148,943	4,377,104	3,926,361
Total Governmental Activities Net Program Expenses	(4,767,285)	(4,730,473)	(4,506,744)

Note: Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds and is now accounted for as a discretely presented component unit. In FY 2010, the WV Infrastructure and Jobs Development Council was also removed and is now accounted for as an Enterprise Fund. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available.

2007	2006	2005	2004	2003	2002
$ 26,154	$ 25,345	$ 27,558	$ 30,623	$ 28,009	$ 19,742
88,209	77,789	77,668	83,653	77,487	72,387
114,547	104,726	134,506	115,413	127,350	121,744
153,677	147,774	210,434	136,960	148,812	139,177
218,610	235,749	229,216	259,071	225,886	193,483
225,458	125,216	267,544	1,410	71,278	110,661
53,617	72,069	31,445	39,007	35,115	47,520
2,454,835	2,669,307	2,418,672	2,399,688	2,373,873	2,299,817
3,254,172	3,119,005	3,221,458	3,056,163	2,683,578	2,605,461
360,443	417,606	588,409	324,636	296,165	253,806
70,148	71,158	32,718	68,596	39,705	27,240
778,817	780,950	835,813	753,901	755,565	1,056,651
32,195	30,115	29,373	29,271	28,523	30,538
34,212	33,082	25,671	45,145	30,177	24,376
94,475	93,401	85,402	76,406	74,027	75,553
7,959,569	8,003,292	8,215,887	7,419,943	6,995,550	7,078,156
1,757	1,824	1,859	1,806	1,763	1,956
869	919	901	925	929	916
12,024	15,872	1,223	5,274	251	7,286
24,812	49,492	12,390	25,606	6,692	17,435
44,114	41,885	42,115	40,658	37,688	43,772
56,621	54,877	55,254	46,730	50,326	41,911
—	—	—	283	—	—
3,008	4,465	4,133	3,846	3,383	4,791
83,230	84,428	82,325	73,150	56,631	72,335
10,165	5,317	8,884	6,679	5,957	6,636
65,364	44,229	26,303	26,683	25,089	20,249
96,068	97,064	99,532	88,777	93,569	95,673
—	—	—	—	—	285
21,638	26,789	23,017	31,641	27,033	26,077
419,670	427,161	357,936	352,058	309,311	339,322
1,269	545	646	749	525	5,008
380	436	—	156	(35)	136
38,249	27,138	45,805	39,587	46,974	34,205
37,945	56,748	52,316	46,288	34,987	27,146
47,463	32,749	76,340	74,990	82,009	63,335
53,301	44,255	88,395	88,183	71,934	70,221
54,690	65,303	30,805	36,995	35,594	48,331
388,305	369,428	358,853	324,292	311,847	310,091
2,235,552	2,224,260	2,285,865	2,179,003	1,998,922	1,869,026
52,708	60,756	95,874	81,767	65,847	92,131
66,214	214	200	30	9	46
11,637	11,594	12,634	12,148	11,664	12,178
2,267	4,376	8,306	7,460	2,045	1,484
2,989,980	2,897,802	3,056,039	2,891,648	2,662,322	2,533,338
—	—	—	—	—	—
4,001	—	—	213	19	130
31	233	217	99	—	—
5,423	10,127	26,255	38,731	11,303	—
410,669	447,727	453,719	438,974	411,280	424,558
420,124	458,087	480,191	478,017	422,602	424,688
3,829,774	3,783,050	3,894,166	3,721,723	3,394,235	3,297,348
(4,129,795)	(4,220,242)	(4,321,721)	(3,698,220)	(3,601,315)	(3,780,808)

(Continued)

Schedule 2
Changes in Net Assets
Last Nine Fiscal Years
(Expressed in Thousands)
(Continued)

	2010	2009	2008
General Revenues and Other Changes in Net Assets			
Taxes:			
Personal Income	1,534,970	1,630,492	1,557,957
Consumer Sales	1,131,075	1,088,901	990,051
Business	844,405	912,252	1,040,604
Medicaid	157,693	165,759	161,896
Transportation	541,023	533,833	564,736
Other	277,811	297,644	394,798
Entitlements and Grants	—	—	—
Unrestricted Investment Earnings	89,635	(33,983)	89,581
Tobacco Settlement Revenues	66,199	81,703	73,079
Federal Appropriations - Jobs Growth Tax Relief	—	—	—
Miscellaneous	97,791	96,098	128,940
Special Item	—	—	—
Transfers	279,309	206,287	214,864
Excess Reserve Transfer to RHBT	—	—	(108,168)
Total General Revenue, Special Item, and Transfers	5,019,911	4,978,986	5,108,338
Total Governmental Activities Changes in Net Assets	$ 252,626	$ 248,513	$ 601,594
Business-type Activities			
Expenses:			
West Virginia Lottery	$ 899,247	$1,022,747	$1,087,321
Water Pollution Control Revolving Fund	34,796	1,905	1,651
Workers' Compensation Fund	173,967	36,252	(161,079)
Unemployment Compensation	605,272	356,715	175,107
WV Infrastructure & Jobs Development Council	22,882	—	—
Public Employees' Insurance Agency	437,496	394,616	444,380
Board of Risk and Insurance Management	35,614	40,498	47,229
Other Business-type Activities	97,089	69,184	77,329
Total Expenses	2,306,363	1,921,917	1,671,938
Program Revenues:			
Charges for Services:			
West Virginia Lottery	1,358,092	1,493,036	1,523,457
Water Pollution Control Revolving Fund	4,509	4,154	3,819
Workers' Compensation Fund	50,460	49,921	44,073
Unemployment Compensation	510,048	249,996	141,921
WV Infrastructure & Jobs Development Council	2,756	—	—
Public Employees' Insurance Agency	481,060	402,377	360,564
Board of Risk and Insurance Management	51,613	56,337	66,592
Other Business-type Activities	97,846	90,438	83,542
Total Charges for Services	2,556,384	2,346,259	2,223,968
Operating Grants and Contributions:			
Unemployment Compensation	—	—	—
Total Operating Grants and Contributions	—	—	—
Capital Contributions:			
Water Pollution Control Revolving Fund	—	11,384	20,788
West Virginia Lottery	—	—	—
Total Capital Grants and Contributions	—	11,384	20,788
Total Revenues	2,556,384	2,357,643	2,244,756
Total Business-type Activities Net Program Expenses	250,021	435,726	572,818
Business-type Activities General Revenues and Other Changes in Net Assets			
Unrestricted Investment Earnings	190,159	(86,937)	38,441
Tobacco Settlement Revenue	—	—	—
Miscellaneous	54,718	17,102	32,022
Transfers	(279,309)	(206,287)	(214,864)
Total Business-type Activities General Revenues and Other Changes in Net Assets	(34,432)	(276,122)	(144,401)
Total Business-type Activities Changes in Net Assets	$ 215,589	$ 159,604	$ 428,417
Total Primary Government Change in Net Assets	$ 468,215	$ 408,117	$1,030,011

2007	2006	2005	2004	2003	2002
1,372,646	1,330,913	1,163,211	1,073,512	1,048,172	1,052,023
1,020,128	981,536	979,357	965,378	917,072	925,317
906,022	920,940	726,878	554,734	551,910	585,182
162,692	169,866	154,070	150,335	143,036	146,812
535,979	501,022	502,659	477,159	466,273	481,436
393,400	382,718	377,878	359,341	291,776	263,966
—	229	912	—	—	—
105,317	71,233	54,240	15,753	52,446	55,038
48,294	33,137	56,825	53,850	32,521	32,430
—	—	—	30,746	30,747	—
111,277	74,047	93,281	52,123	127,287	93,988
—	—	—	—	—	(85,262)
539,205	438,733	484,308	411,164	355,533	267,446
—	—	—	—	—	—
5,194,960	4,904,374	4,593,619	4,144,095	4,016,773	3,818,376
$1,065,165	$ 684,132	$ 271,898	$ 445,875	$ 415,458	$ 37,568
$1,081,336	$1,096,893	$ 839,241	$ 776,124	$ 670,041	$ 563,078
1,630	1,718	1,786	1,914	1,752	1,821
81,459	392,975	189,753	579,433	1,276,891	1,148,221
153,663	147,308	143,989	195,359	224,897	173,934
—	—	—	—	—	—
379,742	545,384	506,837	449,905	410,413	395,743
39,441	41,256	60,969	96,658	82,591	71,706
76,785	66,631	58,910	62,202	55,082	74,681
1,814,056	2,292,165	1,801,485	2,161,595	2,721,667	2,429,184
1,562,259	1,522,532	1,399,073	1,303,434	1,081,894	848,598
3,744	3,383	2,953	2,843	2,862	2,369
235,664	524,269	718,382	628,682	549,742	539,402
147,091	148,731	144,030	137,872	133,840	138,210
—	—	—	—	—	—
406,311	567,107	525,130	505,995	438,056	366,701
74,097	78,787	85,123	105,435	73,281	46,670
77,553	73,155	67,553	63,754	62,088	63,171
2,506,719	2,917,964	2,942,244	2,748,015	2,341,763	2,005,121
—	—	—	21,681	30,733	48,613
—	—	—	21,681	30,733	48,613
12,627	20,241	—	—	—	—
—	—	—	—	—	5,250
12,627	20,241	—	—	—	5,250
2,519,346	2,938,205	2,942,244	2,769,696	2,372,496	2,058,984
705,290	646,040	1,140,759	608,101	(349,171)	(370,200)
189,761	65,758	104,011	51,190	75,250	3,204
15,000	45,000	—	—	—	—
26,090	51,847	(534)	(12,270)	6,737	83,448
(539,205)	(438,733)	(484,308)	(411,164)	(355,533)	(267,446)
(308,354)	(276,128)	(380,831)	(372,244)	(273,546)	(180,794)
$ 396,936	$ 369,912	$ 759,928	$ 235,857	$ (622,717)	$ (550,994)
$1,462,101	$1,054,044	$1,031,826	$ 681,732	$ (207,259)	$ (513,426)

Schedule 3
Fund Balances
Governmental Funds
Last Nine Fiscal Years
(Expressed in Thousands)

	2010	2009	2008
General Fund			
Reserved	$ —	$ 400,816	$ 346,377
Unreserved	—	767,100	822,579
Nonspendable:			
Inventories	11,426	—	—
Loans Receivable	152,911	—	—
Restricted for:			
Government Operations	16,012	—	—
Development, Tourism, and Recreation	12,598	—	—
Education	3,203	—	—
Health and Social Services	9,962	—	—
Public Protection	17,371	—	—
Committed to:			
Government Operations	413,657	—	—
Development, Tourism, and Recreation	46,104	—	—
Education	21,417	—	—
Health and Social Services	227,265	—	—
Public Protection	20,691	—	—
Assigned to:			
Government Operations	21,227	—	—
Development, Tourism, and Recreation	3,368	—	—
Education	2,543	—	—
Health and Social Services	28,296	—	—
Public Protection	4,227	—	—
Unassigned	270,221	—	—
Total General Fund	1,282,499	1,167,916	1,168,956
All Other Governmental Funds			
Reserved			
Special Revenue Funds	$ —	$ 508,529	$ 457,501
Permanent Funds	—	1,309	1,671
Capital Projects	—	67,240	40,681
Debt Service	—	185,540	183,548
Unreserved, Reported in:			
Special Revenue Funds	—	1,415,461	1,610,996
Capital Projects	—	—	—
Debt Service	—	—	—
Nonspendable:			
Inventories	38,676	—	—
Permanent Fund	1,000	—	—
Restricted for:			
Capital Projects	28,283	—	—
Debt Service	181,415	—	—
Development, Tourism, and Recreation	34,877	—	—
Education	393	—	—
Public Protection	23,363	—	—
Committed to:			
Government Operations	6,764	—	—
Public Protection	191,383	—	—
Assigned to:			
Health and Social Services	649	—	—
Public Protection	2,568	—	—
Transportation	23,121	—	—
Unassigned	862,381	—	—
Total All Other Governmental Funds	1,394,873	2,178,079	2,294,397
Total Fund Balances, Governmental Funds	$2,677,372	$3,345,995	$3,463,353

Note: GASB 34 (FY 2002) and GASB 54 (FY 2010) required reclassifications of certain funds.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds and is now accounted for as a discretely presented component unit. In FY 2010, the WV Infrastructure and Jobs Development Council was also removed and is now accounted for as an Enterprise Fund. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available.

2007	2006	2005	2004	2003	2002
$ 343,380	$ 328,482	$ 486,474	$ 529,986	$ 316,594	$ 335,866
697,704	1,079,851	391,457	293,847	312,519	251,520
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—

Schedule 4
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Revenues	**2010**	**2009**	**2008**	**2007**
Taxes:				
Personal Income	$ 1,531,867	$1,612,897	$1,557,352	$1,370,566
Consumer Sales and Use	1,132,951	1,087,130	989,517	1,019,631
Severance	530,940	470,266	518,724	340,544
Corporate Net Income	227,693	256,389	373,180	384,440
Business and Occupation	133,245	148,247	147,989	180,527
Medicaid	157,693	165,759	161,896	162,692
Business Franchise	—	—	—	—
Gasoline and Motor Carrier	393,557	391,903	395,641	364,550
Automobile Privilege	147,466	141,930	169,095	171,429
Wholesale Motor Fuel	—	—	—	—
Other	279,444	293,654	396,772	393,210
Intergovernmental	4,115,677	3,552,545	3,183,463	3,033,765
Licenses, Permits, and Fees	214,293	211,932	214,655	216,504
Motor Vehicle Registration	91,902	91,667	96,592	92,422
Charges for Services	135,914	126,317	117,360	117,970
Investment Earnings	100,111	(38,440)	91,030	184,957
Food Stamp Revenue	478,622	372,270	293,439	273,227
Other	184,935	197,669	205,820	136,117
Total Revenues	9,856,310	9,082,135	8,912,525	8,442,551
Expenditures				
Current:				
Legislative	29,022	29,622	28,163	26,389
Judicial	125,184	110,410	108,075	90,829
Executive	256,364	146,181	131,404	118,550
Administration	114,972	127,517	111,866	106,020
Commerce	223,569	214,767	214,102	228,570
Environmental Protection	148,982	117,402	69,882	114,482
Employment Programs	60,483	47,974	58,563	58,488
Education	2,773,160	2,789,173	2,688,399	3,616,732
Health and Human Resources	4,056,573	3,767,274	3,472,108	3,251,403
Military Affairs and Public Safety	462,163	425,488	382,372	353,445
Revenue	263,427	89,042	86,496	76,257
Transportation	754,486	695,354	579,982	520,281
Senior Services	46,727	43,841	43,719	32,315
Regulatory Boards and Commissions	37,161	35,917	36,469	34,691
Capital Outlay	521,480	579,722	535,538	502,232
Debt Service	—	—	—	—
Principal	103,735	103,276	92,338	134,464
Interest	123,670	129,795	129,705	86,237
Total Expenditures	10,101,158	9,452,755	8,769,181	9,351,385
Excess of Revenues Over (Under) Expenditures	(244,848)	(370,620)	143,344	(908,834)
Other Financing Sources (Uses):				
Face Value of Long-Term Debt Issued	—	76,835	—	1,349,893
Premiums on Bonds Issued	—	4,129	—	5,126
Discounts on Bonds Issued	—	—	—	—
Capital Lease Acquisition	12,505	1,115	3,235	190
Proceeds from Long-Term Obligations	—	—	—	—
Payments to Refunded Bonds Escrow Agents	—	—	—	(242,616)
Transfers In	654,340	653,249	497,811	749,215
Transfer from Component Unit	—	—	—	
Transfers Out	(383,264)	(475,798)	(347,579)	(222,642)
Transfers to Component Units	—	—	—	—
Excess Reserve Transfer to RHBT	—	—	(108,168)	—
Total Other Financing Sources (Uses)	283,581	259,530	45,299	1,639,166
Net Changes in Fund Balances	$ 38,733	$ (111,090)	$ 188,643	$ 730,332
Debt Service as a Percentage of Noncapital Expenditures	2.40%	2.64%	2.70%	2.50%

Note: The State implemented Governmental Accounting Standards Board Statement No. 34 during fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002. Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. As of FY 2010, the WV Infrastructure

2006	2005	2004	2003	2002	2001
$1,329,796	$1,170,202	$1,070,282	$1,038,181	$1,049,532	$1,023,536
989,642	978,115	963,327	917,072	922,882	878,355
355,680	287,774	211,236	193,680	187,287	194,223
380,287	255,772	166,511	83,311	93,846	106,974
184,364	182,090	176,987	178,364	173,839	178,860
169,866	154,070	150,335	143,036	146,812	146,053
—	—	—	96,555	129,457	100,551
330,538	320,891	275,471	227,793	229,650	227,805
170,484	3,005	173,225	169,431	180,472	155,623
—	178,763	28,463	69,049	71,314	71,521
380,711	371,667	359,341	291,776	263,717	250,316
3,037,432	3,235,199	3,119,073	2,868,461	2,733,567	2,527,788
194,681	173,181	176,513	157,864	149,124	215,365
92,681	93,144	84,977	88,967	91,373	—
121,420	120,759	108,387	90,817	106,596	145,835
101,736	79,534	40,562	67,843	63,188	99,720
265,344	252,097	228,000	211,218	195,245	176,884
121,654	156,780	112,585	151,272	132,025	94,735
8,226,316	8,013,043	7,445,275	7,044,690	6,919,926	6,594,144
25,322	27,594	30,634	28,901	19,740	37,860
82,381	84,283	81,577	77,816	73,824	65,270
122,576	122,415	115,418	113,661	125,116	110,349
95,227	150,333	87,834	87,109	75,563	75,329
243,092	224,147	273,748	234,672	207,759	173,114
109,829	98,576	118,592	103,566	109,677	110,616
75,438	36,609	40,183	38,401	49,146	40,101
2,690,459	2,423,094	2,323,733	2,316,665	1,822,346	1,775,773
3,135,884	3,237,580	3,056,762	2,709,057	2,612,846	2,322,313
389,909	609,215	338,907	293,611	280,315	238,627
42,725	60,630	44,765	40,845	26,862	100,551
531,848	573,184	531,214	541,219	825,011	407,736
30,118	29,455	29,230	28,676	30,584	—
33,345	27,561	44,680	31,213	24,878	46,975
550,415	490,195	573,295	535,008	447,941	814,191
—	—	—	—	124,576	115,687
74,427	95,400	65,780	64,176	—	—
89,788	80,777	74,386	72,678	—	—
8,322,783	8,371,048	7,830,738	7,317,274	6,856,184	6,434,492
(96,467)	(358,005)	(385,463)	(272,584)	63,742	159,652
54,800	463,005	294,895	32,370	110,000	—
697	73,388	—	—	4,172	—
—	—	(1,719)	(1,039)	—	—
13,359	—	15,050	60,428	177,270	—
—	—	—	—	—	155,830
(56,062)	(321,405)	—	(31,325)	—	—
875,203	667,841	589,701	517,171	472,711	359,243
—	—	—	—	—	1,000
(457,190)	(197,357)	(188,799)	(166,256)	(660,834)	(190,152)
—	—	—	—	—	(435,682)
—	—	—	—	—	—
430,807	685,472	709,128	411,349	103,319	(109,761)
$ 334,340	$ 327,467	$ 323,665	$ 138,765	$ 167,061	$ 49,891
2.12%	2.22%	1.93%	2.01%	1.92%	2.06%

and Jobs Development Council is accounted for as an Enterprise Fund. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available.

Schedule 5
Revenue Base
Last Ten Years
(Expressed in Thousands)

	2009	2008	2007	2006
Personal Income by Industry - (Calendar Year)				
Farm Earnings	$ (46,725)	$ (134,000)	$ (78,000)	$ (61,000)
Agricultural/Forestry, Fishing, and Other	104,000	111,000	118,000	123,000
Mining	2,958,000	3,410,000	2,871,000	2,682,000
Construction	2,301,000	2,453,000	2,362,000	2,393,000
Manufacturing	3,334,000	3,919,000	3,925,000	3,951,000
Transportation, Warehousing, and Public Utilities	1,990,000	1,989,000	1,856,000	1,813,000
Wholesale Trade	1,442,000	1,513,000	1,478,000	1,453,000
Retail Trade	2,832,000	2,720,000	2,658,000	2,611,000
Finance, Insurance, and Real Estate	1,591,000	1,619,000	1,551,000	1,492,000
Service Industries	12,808,000	11,998,000	11,272,000	11,041,000
Federal, Civilian	2,496,000	2,181,000	2,100,000	1,956,000
Military	535,000	436,000	405,000	419,000
State and Local Government	7,252,000	6,082,000	5,763,000	5,368,000
Tax Revenue - (Fiscal Year)				
Consumer Sales	1,110,000	992,000	1,129,500	1,125,800
Personal Income	1,557,400	1,518,700	1,360,500	1,297,700
Severance	359,600	338,200	312,200	314,700
Corporate Income and Business Franchise	270,200	388,000	358,400	347,600
Motor Fuel	384,500	404,200	349,200	320,700
Automobile Privilege	141,930	169,095	171,429	170,484

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not provided. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period available is 2009.

Sources: Bureau of Economic Analysis, State of West Virginia Executive Budget, and Department of Highways.

This schedule has been revised.

2005	2004	2003	2002	2001	2000
$ (24,000)	$ (2,000)	$ (24,000)	$ (8,000)	$ 28,000	$ 8,000
116,000	112,000	117,000	147,000	142,000	114,000
2,363,000	2,050,000	1,784,000	1,626,000	1,619,000	1,368,000
2,079,000	1,868,000	1,676,000	1,752,000	1,819,000	1,438,000
3,932,000	3,917,000	3,776,000	3,720,000	3,786,000	3,525,000
1,722,000	1,672,000	1,588,000	1,578,000	1,611,000	1,798,000
1,327,000	1,223,000	1,122,000	1,118,000	1,098,000	1,145,000
2,493,000	2,417,000	2,307,000	2,268,000	2,206,000	2,325,000
1,409,000	1,355,000	1,323,000	1,340,000	1,258,000	1,076,000
10,362,000	9,914,000	9,250,000	8,988,000	8,509,000	6,417,000
1,892,000	1,794,000	1,646,000	1,561,000	1,483,000	1,366,000
436,000	367,000	334,000	158,000	180,000	168,000
5,182,000	4,987,000	4,788,000	4,660,000	4,450,000	3,902,000
960,200	928,000	894,500	885,900	852,500	845,800
1,170,100	1,068,200	1,055,500	1,034,700	1,020,700	965,700
248,100	184,400	162,300	166,500	163,200	148,700
280,800	181,500	181,200	220,200	214,300	217,800
311,600	309,300	289,200	230,100	224,400	224,300
178,763	173,225	169,431	180,472	155,623	153,927

Schedule 6
Revenue Rates
Last Ten Calendar Years

Personal Income Tax

Single, Head of Household, Widow(er) with Dependent Child and Married Filing Jointly (Unchanged Over Last Ten Years)

Less than $10,000 ..... 3% of the taxable income

At least —	But less than —			
$10,000	$25,000	$ 300.00	plus 4.0%	of excess over $10,000
$25,000	$40,000	$ 900.00	plus 4.5%	of excess over $25,000
$40,000	$60,000	$1,575.00	plus 6.0%	of excess over $40,000
$60,000	.....	$2,775.00	plus 6.5%	of excess over $60,000

Business

	2010	2009	2008	2007
Corporate Net Income	8.50%	8.50%	8.75%	8.75%
Severance Tax:				
Timber	Temporarily Discontinued	1.22%	1.22%	1.22%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax	3%	3%	4%	5%
Motor Fuel Excise and Sales Tax* (cents per gallon)	32.2	32.2	32.2	31.5
Automobile Privilege Tax	5%	5%	5%	5%

*On January 1, 2004, the gasoline and special fuels excise tax was repealed, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate of 11.7 cents per invoiced gallon as of January 1, 2008.

All rates are set by the Legislature.

Sources: State Tax Department and Division of Motor Vehicles.

Married Filing Separately (Unchanged Over Last Ten Years)

Less than $5,000 ..... 3% of the taxable income

At least —	But less than —			
$ 5,000	$12,500	$ 150.00	plus 4.0%	of excess over $ 5,000
$12,500	$20,000	$ 450.00	plus 4.5%	of excess over $12,500
$20,000	$30,000	$ 787.50	plus 6.0%	of excess over $20,000
$30,000	.....	$1,387.50	plus 6.5%	of excess over $30,000

2006	**2005**	**2004**	**2003**	**2002**	**2001**
9%	9%	9%	9%	9%	9%
3.22%	3.22%	3.22%	3.22%	3.22%	3.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
5%	6%	6%	6%	6%	6%
27.0	27.0	20.5	20.5	20.5	20.5
5%	5%	5%	5%	5%	5%

Schedule 7
Revenue Payers by Industry/Category
Most Current Available Year and
Historical Comparison
(Dollars Expressed in Thousands)

Consumers Sales and Service Tax and Use Tax

Tax Year 2009

Industry	Remittance	Percent of Total	Accounts	Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 3,204	0.3%	663	1.5%
Mining, Quarrying, and Oil and Gas Extraction	6,453	0.6%	342	0.8%
Construction	28,060	2.5%	4,222	9.8%
Manufacturing	50,881	4.5%	2,568	6.0%
Wholesale Trade	77,771	6.8%	2,258	5.2%
Retail Trade	621,553	54.5%	10,776	25.1%
Finance and Insurance	3,493	0.3%	358	0.8%
Services	277,133	24.3%	19,094	44.4%
Other	70,941	6.2%	2,735	6.4%
Total	$1,139,489	100%	43,016	100%

Tax Year 2000

Industry	Remittance	Percent of Total	Accounts	Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 4,371	0.5%	1,739	2.3%
Mining, Quarrying, and Oil and Gas Extraction	5,720	0.6%	1,675	2.2%
Construction	26,761	2.8%	12,690	16.9%
Manufacturing	48,289	5.1%	4,643	6.2%
Wholesale Trade	74,047	7.8%	3,664	4.9%
Retail Trade	514,577	53.7%	18,365	24.5%
Finance and Insurance	3,917	0.4%	522	0.7%
Services	226,060	23.7%	26,810	35.8%
Other	51,179	5.4%	4,879	6.5%
Total	$954,921	100%	74,987	100%

Note: Due to confidentiality issues, the names of revenue payers are not provided. This information is an alternative regarding the sources of the State's revenue.

Source: West Virginia State Tax Department.

Personal Income Tax

Tax Year 2008

Income Level (Actual)	Tax Liability	Percent of Total	Returns	Percent of Total
$0 - $10,000	$ 1,415	0.10%	165,442	20.47%
$10,000 - $20,000	29,379	1.98%	141,293	17.48%
$20,000 - $40,000	143,772	9.69%	180,870	22.37%
$40,000 - $60,000	195,012	13.13%	114,596	14.18%
Over $60,000	1,114,376	75.10%	206,170	25.50%
Total	$1,483,954	100%	808,371	100%

Tax Year 1999

Income Level (Actual)	Tax Liability	Percent of Total	Returns	Percent of Total
$0 - $10,000	$ 3,490	0.38%	173,717	23.65%
$10,000 - $20,000	45,544	5.00%	159,304	21.69%
$20,000 - $40,000	150,812	16.56%	186,159	25.34%
$40,000 - $60,000	179,641	19.73%	105,881	14.42%
Over $60,000	531,171	58.33%	109,416	14.90%
Total	$910,658	100%	734,477	100%

Schedule 8
Ratios of Outstanding Debt
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

	Primary Government - Debt			
	2010	**2009**	**2008**	**2007**
Governmental Activities:				
General Obligation Bonds	$ 622,928	$ 665,294	$ 705,955	$ 744,790
Revenue Bonds	1,243,106	1,405,645	1,362,022	1,742,647
Capital Leases and Notes Payable	336,143	322,776	338,603	343,813
Total of Governmental Activities	2,202,177	2,393,715	2,406,580	2,831,250
Enterprise Activities:				
Revenue Bonds	118,612	—	—	—
Total Primary Government Debt	$2,320,789	$2,393,715	$2,406,580	$2,831,250

Note: The Infrastructure and Jobs Development Council revenue bonds were previously included in the governmental activities.

	Governmental Activities Tax Income					
Year	**Personal Income**	**Consumer Sales and Use**	**Business**	**Transportation**	**Other**	**Total**
2010	$1,534,970	$1,131,075	$ 844,405	$541,023	$435,504	$4,486,977
2009	1,630,492	1,088,901	912,252	533,833	297,644	4,463,122
2008	1,557,957	990,051	1,040,604	564,736	394,798	4,548,146
2007	1,372,646	1,020,128	906,022	535,979	393,400	4,228,175
2006	1,330,913	981,536	920,940	501,022	382,718	4,117,129
2005	1,163,211	979,357	726,878	502,659	377,878	3,749,983
2004	1,073,512	965,378	554,734	477,159	359,341	3,430,124
2003	1,048,172	917,072	551,910	466,273	291,776	3,275,203
2002	1,052,023	925,317	585,182	481,436	263,966	3,307,924
2001	1,023,536	878,355	580,608	454,949	250,316	3,187,764

	General Obligation Bond Debt Ratios			
Year	**General Obligation Bond Debt**	**Percent of Tax Income**	**Percent of Personal Income**	**Amount of Debt Per Capita***
2010	$622,928	13.88%	1.06%	$0.34
2009	665,294	14.91%	1.16%	0.37
2008	705,955	15.52%	1.29%	0.39
2007	744,790	17.61%	1.44%	0.41
2006	772,912	18.77%	1.61%	0.43
2005	798,490	21.29%	1.72%	0.44
2004	774,660	22.58%	1.77%	0.43
2003	804,635	24.57%	1.86%	0.45
2002	833,494	25.20%	1.99%	0.46
2001	748,459	23.48%	1.90%	0.41

Primary Government - Debt

2006	2005	2004	2003	2002	2001
$ 772,912	$ 798,490	$ 774,660	$ 804,635	$ 833,494	$ 748,459
726,249	763,761	670,789	409,106	439,011	464,587
354,000	354,337	300,227	300,899	252,107	61,865
1,853,161	1,916,588	1,745,676	1,514,640	1,524,612	1,274,911
—	—	—	—	—	—
$1,853,161	$1,916,588	$1,745,676	$1,514,640	$1,524,612	$1,274,911

Total Debt Ratios

Year	Total Debt	Percent of Tax Income	Percent of Personal Income	Amount of Debt Per Capita*
2010	$2,320,789	51.72%	3.96%	$1.28
2009	2,393,715	53.63%	4.17%	1.32
2008	2,406,580	52.91%	4.41%	1.33
2007	2,831,250	66.96%	5.46%	1.57
2006	1,853,161	45.01%	3.85%	1.03
2005	1,916,588	51.11%	4.12%	1.06
2004	1,745,676	50.89%	3.98%	0.97
2003	1,514,640	46.25%	3.50%	0.84
2002	1,524,612	46.09%	3.64%	0.85
2001	1,274,911	39.99%	3.23%	0.71

All General Obligation Bonds carry a pledge of the State to levy taxes if funds are insufficient to meet debt service.

Infrastructure bonds are paid from the dedication of the first $24 million in severance tax collections.

Safe Roads Bonds are paid from a debt service fund which is administered by the West Virginia State Treasurer's Office. The Division of Highways makes a monthly transfer to this fund from the Road Fund. The monthly transfer amount is equal to 10% of the annual debt service requirement on all Safe Roads Bonds.

*These ratios are calculated using the current fiscal year debt total divided by personal income and population for the prior calendar year. See Schedule 10 for personal income and population data.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

Schedule 9
Pledged Revenue Coverage
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Department of Transportation
West Virginia Code Chapter 17, Article 17A provides for the issuance of Surface Transportation Improvement Special Obligation Notes (GARVEE bonds) to facilitate the construction of highways, secondary roads and bridges to be funded wholly or in part by federal dollars and in anticipation of reimbursement from such sources. Title 23, Section 122 federal legislation allows this reimbursement. There is a Memorandum of Agreement between the Federal Highway Administration and the Division of Highways that documents the procedures for managing the stewardship and oversight of highway projects that are financed with the proceeds of these notes first issued in fiscal year 2007.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2010	$27,591	$—	$27,591	$20,845	$6,746	$27,591	1.00
2009	14,692	—	14,692	10,550	4,200	14,750	1.00
2008	14,745	—	14,745	10,285	4,460	14,745	1.00
2007	1,207	—	1,207	—	1,207	1,207	1.00

WV Infrastructure and Jobs Development Council
The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. New bonds were issued in 2006 and 2007 to refund earlier bond issues.

2010	$43,671	$20,913	$22,758	$ 2,310	$ 5,644	$ 7,954	2.86
2009	79,414	16,309	63,105	15,035	19,987	35,022	1.80
2008	78,698	18,988	59,710	14,625	20,492	35,117	1.70
2007	78,363	17,121	61,242	14,600	20,636	35,236	1.74
2006	89,442	20,041	69,401	8,150	19,822	27,972	2.48
2005	24,150	18,759	5,391	840	4,517	5,357	1.01
2004	24,082	21,323	2,759	315	2,456	2,771	1.00
2003	24,143	21,609	2,534	135	2,466	2,601	0.97
2002	24,280	21,994	2,286	—	2,470	2,470	0.93
2001	24,500	23,383	1,117	—	1,063	1,063	1.05

Tobacco Settlement Finance Authority
Pursuant to the Code, and a Purchase and Sale Agreement, dated June 1, 2007, by and between the Authority and the State, the State sold to the Authority its right, title, and interest in and to all tobacco settlement revenue that is received by the State, under the terms of the Master Settlement Agreement entered into by participating tobacco product manufacturers, West Virginia, 45 other states, and six other U.S. jurisdictions in November 1998. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the Authority of 100% of the tobacco receipts, and investment earnings on the accounts with the trustee under the Indenture.

2010	$70,404	$21	$70,383	$10,070	$60,677	$70,747	0.99
2009	83,205	58	83,147	19,910	62,237	82,147	1.01
2008	77,447	25	77,422	12,320	58,771	71,091	1.09

Economic Development Project Fund
West Virginia State Code Chapter 29, Article 22, Section 18a designates $19 million annually from the "excess lottery revenue fund" to be paid into the Economic Development Project Fund created in subsection (d) for payment of revenue bonds issued pursuant to the same subsection. Interest on the account and any other amounts paid into the Economic Development Project Fund are also to be used for the repayment of the bonds, which were issued in 2004.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2010	$19,411	$ —	$19,411	$ 7,890	$10,955	$18,845	1.03
2009	19,698	—	19,698	7,645	11,220	18,865	1.04
2008	20,560	—	20,560	7,440	11,446	18,886	1.09
2007	19,888	—	19,888	7,275	11,629	18,904	1.05
2006	22,627	100	22,527	7,165	11,767	18,932	1.19
2005	20,461	—	20,461	13,890	11,009	24,899	0.82
2004	19,019	—	19,019	—	—	—	—

Education, Arts, Sciences, and Tourism
Certain net profits of the Lottery as set forth in Chapter 29 Article 22 of the Code of West Virginia are transferred to the Trustee under the bond indenture. These bonds are subordinate as to lien and source of payment only to those certain School Building Authority Capital Improvement Bonds, series 1994.

2010	$ 8,242	$ 3	$ 8,239	$9,115	$ 643	$9,758	0.84
2009	10,046	3	10,043	8,660	1,109	9,769	1.03
2008	10,601	3	10,598	8,210	1,563	9,773	1.08
2007	11,002	3	10,999	7,780	2,002	9,782	1.12
2006	10,860	—	10,860	7,375	2,421	9,796	1.11
2005	10,404	—	10,404	7,025	2,803	9,828	1.06
2004	10,196	—	10,196	6,690	3,140	9,830	1.04
2003	10,271	—	10,271	6,370	3,470	9,840	1.04
2002	10,291	—	10,291	6,070	3,781	9,851	1.04
2001	11,841	120	11,721	5,750	4,091	9,841	1.19

Housing Development Fund
Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. The Fund is authorized by West Virginia State Code to issue bonds and notes for its various programs in an aggregate principal amount not to exceed $1.25 billion outstanding at any one time, exclusive of refunded obligations. Bonds and notes issued by the Fund are considered obligations of the Fund and are not deemed to constitute a debt or liability of the State. All bonds are secured by a pledge of all mortgage loan repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolution, and the rights and interest of the Fund in and to the mortgage loans.

2010	$130,282	$ 6,009	$124,273	$19,198	$33,963	$53,161	2.34
2009	136,802	7,367	129,435	21,816	37,681	59,497	2.18
2008	146,744	7,230	139,514	23,521	39,135	62,656	2.23
2007	154,643	8,123	146,520	20,180	36,402	56,582	2.59
2006	154,190	9,783	144,407	19,560	33,896	53,456	2.70
2005	185,696	7,448	178,248	20,050	34,595	54,645	3.26
2004	236,521	7,491	229,030	19,885	38,695	58,580	3.91
2003	205,965	10,391	195,574	19,550	47,320	66,870	2.92
2002	172,139	7,434	164,705	21,595	53,329	74,924	2.20
2001	138,058	6,743	131,315	19,185	48,359	67,544	1.94

(Continued)

Schedule 9
Pledged Revenue Coverage
Last Ten Fiscal Years
(Dollars Expressed in Thousands)
(Continued)

Water Development Authority
The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction, and/or acquisition of wastewater and/or water systems. Monies are loaned to municipalities, public service districts, and other political subdivisions through purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the systems or other permanent financing. The aggregate principal amount of bonds and/or notes issued by the Authority may not exceed $500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of $440 million, the Legislature must pass a resolution authorizing this action. The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. Fiscal years 2002 and 2004 include retirement of revenue bonds.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2010	$15,355	$1,091	$14,264	$ 6,930	$11,874	$ 18,804	0.76
2009	15,731	809	14,922	6,685	12,110	18,795	0.79
2008	15,882	620	15,262	6,330	12,326	18,656	0.82
2007	15,829	502	15,327	6,585	12,537	19,122	0.80
2006	16,334	569	15,765	5,120	12,123	17,243	0.91
2005	14,304	650	13,654	4,065	11,025	15,090	0.90
2004	15,540	615	14,925	109,965	12,435	122,400	0.12
2003	14,817	688	14,129	3,645	12,525	16,170	0.87
2002	19,225	629	18,596	49,340	14,028	63,368	0.29
2001	22,525	513	22,012	3,645	15,293	18,938	1.16

Higher Education Fund
Various individual institutions, as well as the Fund, have issued bonds which are generally payable from tuition and registration fees. The 2004 refunding bonds are to be repaid using certain Lottery funds. During fiscal years 2004 and 2005, Higher Education had a series of revenue bond refinancings that resulted in an increase in principal and interest payments. Prior to 2002, compiled debt information was not available.

2010	$1,467,996	$1,547,741	$(79,745)	$25,184	$30,716	$ 55,900	(1.43)
2009	1,447,422	1,409,047	38,375	24,169	31,745	55,914	0.69
2008	1,508,466	1,317,474	190,992	24,006	31,650	55,656	3.43
2007	1,333,158	1,217,652	115,506	46,439	32,636	79,075	1.46
2006	1,254,971	1,147,583	107,388	20,527	33,149	53,676	2.00
2005	1,196,325	1,055,456	140,869	94,782	17,976	112,758	1.25
2004	1,113,067	988,177	124,890	97,911	18,813	116,724	1.07
2003	1,068,798	981,130	87,668	11,740	16,475	28,215	3.11
2002	1,000,040	913,409	86,631	10,957	11,677	22,634	3.83

West Virginia Regional Jail and Correctional Facility Authority

Revenue bonds are secured by the regional jails and correctional facilities and an irrevocable pledge of the lease payments, which are generated by court fees, and are required to be in sufficient amount to pay principal and interest on the bonds when due. The bonds were issued in 2002.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2010	$75,434	$79,054	$ (3,620)	$4,770	$4,097	$8,867	(0.41)
2009	97,048	79,508	17,540	4,550	4,320	8,870	1.98
2008	85,688	70,194	15,494	4,335	4,533	8,868	1.75
2007	84,597	69,267	15,330	4,130	4,735	8,865	1.73
2006	85,389	67,623	17,766	3,940	4,926	8,866	2.00
2005	76,522	57,650	18,872	3,760	5,110	8,870	2.13
2004	63,390	54,475	8,915	3,585	5,284	8,869	1.01
2003	62,294	60,220	2,074	3,420	5,449	8,869	0.23
2002	63,188	57,796	5,392	3,110	5,606	8,716	0.62

School Building Authority

The Authority provides funds for modern efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools. The bonds are paid by certain net profits of the West Virginia Lottery. Only total debt service was available prior to 2002.

2010	$52,931	$ —	$52,931	$29,850	$18,877	$48,727	1.09
2009	47,636	—	47,636	14,940	16,743	31,683	1.50
2008	43,166	17,891	25,275	23,725	13,584	37,309	0.68
2007	43,359	2,367	40,992	22,760	18,383	41,143	1.00
2006	42,754	1,252	41,502	20,030	19,349	39,379	1.05
2005	41,099	1,124	39,975	31,585	17,321	48,906	0.82
2004	42,501	1,854	40,647	24,490	15,498	39,988	1.02
2003	42,460	2,071	40,389	23,405	17,010	40,415	1.00
2002	43,449	2,591	40,858	19,465	18,523	37,988	1.08
2001	41,597	2,768	38,829	—	—	40,041	0.97

Parkways, Economic Development and Tourism Authority

Revenue bonds are secured by a pledge of substantially all Parkways, Economic Development and Tourism Authority operating revenues and all monies deposited into accounts created by the Trust Indentures. Only total debt service is available.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Total Debt Service	Coverage
2010	$79,188	$33,134	$46,054	$10,670	4.32
2009	53,541	30,908	22,633	12,218	1.85
2008	56,690	31,183	25,507	11,852	2.15
2007	58,219	32,606	25,613	10,876	2.36
2006	61,806	31,478	30,328	10,801	2.81
2005	58,152	30,258	27,894	10,505	2.66
2004	57,826	28,706	29,120	12,439	2.34
2003	54,850	27,583	27,267	12,693	2.15
2002	54,821	27,366	27,455	11,240	2.44
2001	54,116	26,292	27,824	11,176	2.49

Note: Details regarding the State's debt can be found in Note 10 to the basic financial statements.

Sources: Department of Transportation; School Building Authority; West Virginia Infrastructure and Jobs Development Council; Housing Development Fund; Water Development Authority; Higher Education Fund; West Virginia Regional Jail and Correctional Facility Authority; Parkways, Economic Development and Tourism Authority; Tobacco Settlement Finance Authority; and bond indentures.

Schedule 10
Demographics and Economic Indicators
(Last Ten Calendar Years)

	2009	2008	2007	2006
Population				
West Virginia	1,819,777	1,814,873	1,811,198	1,807,237
Change	0.27%	0.20%	0.22%	0.18%
National	307,006,550	304,374,846	301,579,895	298,593,212
Change	0.86%	0.93%	1.00%	0.96%
Total Personal Income (Dollars in Millions)				
West Virginia	$58,631	$57,411	$54,555	$51,894
Change	2.13%	5.24%	5.13%	7.80%
National	12,015,535	$12,225,589	$11,879,836	$11,256,516
Change	(1.72)%	2.91%	5.54%	7.44%
Per Capita Personal Income* (In Dollars)				
West Virginia	$32,219	$31,634	$30,121	$28,715
Change	1.85%	5.02%	4.90%	7.60%
National	39,138	$40,166	$39,392	$37,698
Change	(2.56)%	1.97%	4.49%	6.42%
Median Age	40.5	40.6	40.4	40.7
Educational Attainment				
9th Grade or Less	6.5%	6.6%	7.0%	7.1%
Some High School, No Diploma	10.7%	11.1%	11.8%	11.9%
High School Diploma	41.0%	40.9%	41.1%	42.7%
Some College, No Degree	18.5%	18.5%	16.7%	16.1%
Associate, Bachelor's or Graduate Degree	23.2%	22.9%	23.4%	22.2%

Labor Force and Employment
(People in Thousands)

Civilian Labor Force	797.9	806.0	813.0	810.0
Employed	734.6	772.0	778.0	773.0
Unemployed	63.3	34.0	35.0	37.0
Unemployment Rate	7.9%	4.3%	4.3%	4.6%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	29.6	30.7	27.5	28.1
Construction	34.1	38.4	38.7	39.2
Manufacturing-Durable Goods	30.9	35.2	37.2	38.4
Manufacturing-Nondurable Goods	19.8	21.1	21.8	22.6
Total Goods Producing Industries	114.4	125.4	125.2	128.3
Non-Goods Producing Industries:				
Trade	110.0	114.4	116.2	115.5
Service	369.9	374.0	369.5	367.8
State and Local Government	126.3	123.7	122.6	122.4
Federal Government	23.6	22.9	22.5	22.1
Total Non-Goods Producing Industries	629.8	635.0	630.8	627.8
Total Nonfarm Wage and Salary Employment	744.2	760.4	756.0	756.1

The most current period available is 2009.

*Per capita personal income is calculated by dividing total personal income by population.

Various population, personal income, and per capita personal income figures have been amended from last year's schedule.

Sources: Workforce West Virginia Research, Information, and Analysis Office, the Census, and the Survey of Current Business.

This schedule has been revised.

2005	2004	2003	2002	2001	2000
1,803,920	1,803,302	1,802,238	1,799,411	1,798,582	1,806,962
0.03%	0.06%	0.16%	0.05%	(0.46)%	(2.40)%
295,753,151	293,045,739	290,326,418	287,803,914	285,081,556	282,171,957
0.92%	0.97%	0.99%	1.01%	1.03%	0.88%
$48,139	$46,497	$43,841	$43,312	$41,902	$39,438
3.53%	6.06%	1.22%	3.36%	6.25%	5.25%
$10,476,669	$9,928,790	$9,150,320	$8,872,871	$8,716,992	$8,398,871
5.52%	8.51%	3.13%	1.79%	3.79%	7.96%
$26,686	$25,784	$24,217	$24,002	$23,260	$21,820
3.5%	6.00%	0.90%	3.19%	6.60%	5.50%
$35,424	$33,881	$31,461	$30,810	$30,574	$29,763
4.55%	7.50%	2.11%	0.77%	2.73%	7.02%
40.7	40.2	39.9	39.5	39.3	39.0
10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
14.8%	14.8%	14.8%	14.8%	14.8%	14.8%
39.4%	39.4%	39.4%	39.4%	39.4%	39.4%
16.6%	16.6%	16.6%	16.6%	16.6%	16.6%
19.2%	19.2%	19.2%	19.2%	19.2%	19.2%
798.0	788.0	790.0	796.0	801.0	809.0
759.0	747.0	742.0	749.0	759.0	765.0
39.0	41.0	48.0	47.0	42.0	44.0
4.9%	5.3%	6.0%	5.9%	5.2%	5.5%
25.9	23.8	22.0	23.1	23.5	21.4
36.8	34.6	32.7	33.4	34.9	34.0
38.8	39.2	39.7	42.2	44.5	46.6
23.0	23.8	24.9	26.5	27.7	29.2
124.5	121.4	119.3	125.2	130.6	131.2
113.6	111.9	110.4	111.3	113.7	117.4
364.9	360.5	355.5	353.7	350.0	344.1
121.7	121.4	120.6	120.9	119.2	120.6
21.9	21.8	21.9	21.9	21.8	22.5
622.1	615.6	608.4	607.8	604.7	604.6
746.6	737.0	727.7	733.0	735.3	735.8

Schedule 11
Principal Employers
Current Year and Nine Years Ago

Estimated as of June 30, 2010

Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	75,000 - 79,999	10.54%
State Government	35,000 - 44,999	5.70%
Federal Government	25,000 - 29,999	3.50%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.57%
West Virginia United Health System	7,000 - 9,999	1.09%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.82%
Kroger	3,000 - 4,999	0.54%
American Electric Power	1,000 - 2,999	0.27%
Consolidation Coal Company	1,000 - 2,999	0.27%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%
St. Mary's Hospital	1,000 - 2,999	0.27%
Res-Care, Inc.	1,000 - 2,999	0.27%
Mylan Pharmaceuticals, Inc.	1,000 - 2,999	0.27%

As of June 30, 2001

Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	70,000 - 74,999	9.71 %
State of Government	30,000 - 44,999	5.23%
Federal Government	20,000 - 24,999	2.98%
Wal-Mart Associates, Inc.	7,000 - 9,999	1.05%
West Virginia University Hospitals	5,000 - 6,999	0.79%
Charleston Area Medical Center, Inc.	3,000 - 4,999	0.53%
CSX Corporation	3,000 - 4,999	0.53%
Weirton Steel Corporation	3,000 - 4,999	0.53%
Kroger	3,000 - 4,999	0.53%
E I Dupont De Nemours and Company	3,000 - 4,999	0.53%
Verizon	3,000 - 4,999	0.53%
Allegheny Energy Service Corporation	1,000 - 2,999	0.26%
Union Carbide Corporation/Dow Corporation	1,000 - 2,999	0.26%

Source: Workforce West Virginia Research, Information, and Analysis Office.

Schedule 12
Education Enrollment
Last Ten Fiscal Years

Public School Enrollment Grades Pre-K Through 12

Year	Elementary (Pre-K to 6)	Secondary (7 to 12)	Total All Grades
2009-10	159,205	122,623	281,828
2008-09	157,520	124,388	281,908
2007-08	155,832	125,903	281,735
2006-07	154,479	126,818	281,297
2005-06	152,969	126,819	279,788
2004-05	152,470	126,987	279,457
2003-04	153,616	126,945	280,561
2002-03	155,144	126,447	281,591
2001-02	155,635	126,597	282,232
2000-01	156,975	128,810	285,785

Higher Education Enrollment
Colleges and Universities

	Public		Independent	
Year	Enrollment	Number of Certificates and Degrees	Enrollment	Number of Certificates and Degrees
2009-10	93,712	15,185	12,168	2,678
2008-09	87,803	14,917	11,279	2,560
2007-08	87,066	15,040	11,131	2,686
2006-07	86,088	14,733	10,639	2,682
2005-06	84,713	14,206	10,811	2,575
2004-05	82,845	13,963	11,650	2,462
2003-04	80,837	13,141	11,625	2,357
2002-03	78,976	12,839	11,034	2,337
2001-02	78,315	12,302	10,066	2,021
2000-01	76,050	12,264	9,808	1,925

Sources: West Virginia Board of Education and West Virginia Higher Education Policy Commission.

Schedule 13
State Employees by Function
Last Ten Fiscal Years

	2010	2009	2008	2007
Executive*	921	927	916	896
Legislative	218	216	213	208
Judicial	1,010	961	912	936
Administration	679	696	659	663
Commerce				
Natural Resources (Parks)	798	836	844	844
Tourism and Development	155	162	164	166
WorkForce West Virginia	440	399	397	372
Other	400	391	379	364
Environmental Protection	823	804	821	820
Education and the Arts				
Department of Education	576	579	560	519
School for the Deaf and the Blind	195	202	192	192
Rehabilitation Services	563	542	518	544
Higher Education	10,965	10,762	10,383	10,165
Other	274	286	272	261
Revenue	1,067	1,057	1,087	1,042
Health and Human Resources	5,562	5,495	5,556	5,596
Military Affairs and Public Safety				
Corrections	1,700	1,692	1,684	1,648
Juvenile Services	681	640	610	615
State Police	1,033	1,026	1,011	1,011
Regional Jail Authority	886	896	903	938
All Other	724	667	686	584
Transportation	5,346	5,658	5,499	5,490
Miscellaneous	497	488	490	496
Total	35,513	35,382	34,756	34,370

*This includes the offices of the Governor, Treasurer, Secretary of State, Auditor, Attorney General, and Agriculture.

Notes:
The Workers' Compensation Commission was included under Commerce - Other in 2001 to 2005. In 2006, the Workers' Compensation Commission was privatized and approximately 300 of the employees moved to the Insurance Commission under Tax and Revenue.

Juvenile Services added 134 employees between 2003 and 2004 to staff new facilities.

Sources: Leave system data warehouse reports, Higher Education Policy Commission, Housing Development Fund, and the Supreme Court of Appeals.

2006	2005	2004	2003	2002	2001
881	902	898	889	863	799
204	203	201	200	202	190
882	876	876	884	848	841
573	598	620	540	539	527
813	812	816	830	824	823
182	218	212	195	201	156
405	445	457	552	1,258	1,276
353	1,068	1,173	1,144	366	364
843	862	851	852	763	758
511	531	516	504	503	470
204	193	200	204	218	205
694	721	716	723	715	699
9,959	9,746	9,450	9,432	9,643	9,457
272	267	265	284	288	265
1,024	774	768	762	739	648
5,588	5,771	5,524	5,593	5,545	5,538
1,632	1,592	1,555	1,562	1,505	1,375
601	601	565	431	424	286
987	980	972	949	934	975
869	876	858	760	740	604
520	491	482	477	441	393
5,296	5,767	5,836	5,983	6,358	6,977
503	530	529	450	396	386
33,796	34,824	34,340	34,200	34,313	34,012

Schedule 14
Operating Indicators by Function
Last Ten Fiscal Years

	2010	2009	2008	2007
Transportation				
Total highway construction projects authorized	1,231	702	1,169	874
Number of roadway resurfacing projects	584	208	527	324
Number of roadway miles resurfaced	1,328	479	1,557	944
WorkForce West Virginia (Employment Programs)				
Applications for job search services (in thousands)	175	150	141	128
Filled job openings	4,673	7,003	8,380	9,517
Education				
Schools receiving exemplary accreditation status	**10%**	**10%**	10%	10%
Schools receiving full accreditation status	**85%**	**90%**	80%	80%
School districts receiving full approval status	**96%**	**96%**	96%	93%
Health and Human Resources				
Number of food stamp recipients	326,730	288,500	245,931	235,772
Number of food stamps issued	39,885,163	31,098,046	24,555,462	22,869,066
Medicaid enrollees	405,178	393,187	307,686	305,054
Counties enrolled in managed care*	100%	95%	93%	89%
Child support collections (in millions)	$201	$204	$201	$192
Students served by school-based health clinics	24,992	20,380	20,224	26,800
Natural Resources				
Attendance at State Parks (in millions)	**6.7**	**6.6**	6.7	6.5
Hunting and Fishing License Sales (calendar year)	N/A	1,005,953	983,544	955,737
Individuals whitewater rafting on rivers (calendar year)	155,712	164,325	181,105	170,266
Environmental Protection				
Division of Air Quality				
Number of air quality inspections	1,503	1,795	2,096	1,584
Response rate of air pollution-related complaints (goal is 90% or greater)	95%	93%	94%	99%
Division of Land Restoration Programs				
Organizations that adopted highways	1,536	1,879	1,834	1,882
Division of Mining and Reclamation				
Surface mine blasting examinations and certifications	118	149	123	159
Surface mine mineral extraction inspections	20,812	13,391	21,183	22,092
Number of acres reclaimed through reclamation and restoration of land	2,784	2,298	2,483	7,261
Office of Miners Health and Safety (calendar year)				
Total safety inspections	5,846	5,980	5,709	5,508
Violations issued by mine inspectors	15,233	14,804	16,130	12,488
Lost time injuries of mining personnel**	812	809	973	929
Military Affairs and Public Safety				
Division of Corrections				
Adult inmate housing capacity	**5,113**	5,113	5,017	4,931
Inmate employment (Prison Industries)	242	247	245	238
Youth successfully completed programs/returned to community	159	159	156	115
Veterans' Home				
Average daily number of residents	97	97	95	89
Average daily cost per resident	$76.53	$70.78	$71.19	$68.74
Senior Services				
Persons served under Medicaid aged and disabled waiver	**5,400**	6,449	5,300	4,737

Items in bold are estimated figures; N/A = Not Available.
*There are 55 counties in West Virginia.
**Occasions when mining personnel were unable to work their next shift due to injuries.
Source: Agencies and Executive Budget document.
This schedule has been revised.

2006	2005	2004	2003	2002	2001
1,105	1,232	1,165	1,064	1,499	1,396
481	490	488	384	534	580
1,239	1,208	1,070	1,040	1,071	1,545
100	97	152	163	152	154
11,069	20,511	24,400	27,072	27,072	26,450
17%	4%	7%	10%	7%	N/A
68%	76%	85%	77%	74%	77%
93%	96%	93%	82%	82%	71%
261,577	255,281	249,227	235,420	223,047	N/A
21,982,039	20,986,880	20,563,342	19,266,926	17,892,030	N/A
311,289	321,158	316,668	306,185	294,661	344,296
89%	85%	62%	42%	42%	42%
$188	$187	$177	$179	$167	$160
25,950	25,780	24,155	23,826	23,627	23,350
6.7	7.3	6.4	7.6	7.2	8.0
968,954	1,058,821	1,151,623	1,418,479	1,222,357	1,074,438
201,358	209,542	227,752	218,444	228,169	246,846
1,565	1,401	1,156	778	404	643
99%	97%	90%	89%	98%	97%
1,891	1,456	1,518	1,481	1,966	1,513
191	144	94	151	54	24
21,891	20,085	20,193	18,885	18,887	20,412
12,655	10,963	9,893	9,470	9,292	8,654
5,816	5,727	5,984	5,787	4,764	4,098
12,258	10,749	8,454	6,539	7,956	8,933
1,089	965	875	1,129	1,232	1,154
4,520	4,070	4,070	3,880	3,696	3,390
230	260	259	244	270	233
160	180	196	148	159	160
96	95	79	112	125	115
$64.00	$61.54	$60.28	$57.36	$48.20	$47.12
4,571	4,901	5,760	5,760	5,315	4,175

Schedule 15
Capital Assets Statistics by Function
Last Ten Fiscal Years

	2010	2009	2008	2007
Vehicles				
Executive	185	171	169	171
Judicial	14	12	10	10
Administration				
Agency-Owned	6	6	4	4
Leased to other agencies	1,731	1,685	1,648	1,857
Total Administration	1,737	1,691	1,652	1,861
Revenue	—	—	1	1
Commerce				
Division of Natural Resources (Parks)	582	584	570	581
Division of Forestry	136	133	130	135
Others	7	7	7	5
Total Commerce	725	724	707	721
Environmental Protection	11	11	11	13
Education	51	58	42	41
Health and Human Services	68	72	68	69
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	992	999	1,110	916
Division of Corrections	40	40	38	28
Veterans Affairs	70	57	54	49
Regional Jail	94	99	104	90
Others	36	33	32	30
Total MAPS	1,232	1,228	1,338	1,113
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	90	95	94	93
Environmental Protection	7	6	5	5
Buildings				
Executive	28	28	28	28
Administration	72	70	68	66
Revenue	2	2	2	2
Commerce				
Division of Natural Resources (Parks)	889	889	884	885
Division of Forestry	5	5	5	4
Others	8	8	8	7
Total Commerce	902	902	897	896
Environmental Protection	7	7	7	7
Education	91	91	90	90
Health and Human Services	108	109	109	157
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	85	85	83	82
Division of Corrections	55	55	54	53
Armory Board	158	167	165	167
Others	59	55	52	49
Total MAPS	357	362	354	351
Regulatory Boards and Commissions	3	3	3	3

Sources: Financial Accounting and Reporting Section; West Virginia Financial Information Management System; Fixed Asset detailed ledger.

This schedule has been revised.

2006	2005	2004	2003	2002	2001
140	123	116	121	103	96
5	6	4	4	4	3
5	6	6	6	6	6
1,623	1,588	1,455	1,570	1,678	1,580
1,628	1,594	1,461	1,576	1,684	1,586
1	3	3	3	1	2
581	572	543	557	582	583
137	137	137	137	129	119
6	6	5	14	17	23
724	715	685	708	728	725
12	12	10	9	17	24
41	44	44	44	48	47
68	65	58	59	62	62
811	952	960	939	989	998
25	21	21	23	22	22
51	32	32	21	15	7
87	67	67	71	58	58
26	23	23	17	15	12
1,000	1,095	1,103	1,071	1,099	1,097
2	2	—	—	—	—
92	93	89	89	90	85
4	4	3	3	3	3
28	28	28	28	28	28
60	52	50	46	44	44
2	2	2	2	1	1
893	888	887	881	880	876
4	4	4	4	4	4
6	6	6	6	5	3
903	898	897	891	889	883
7	7	4	4	4	4
90	90	89	88	88	88
147	147	145	144	144	144
81	81	80	78	76	72
53	50	47	46	45	45
171	171	168	167	167	167
40	39	37	34	34	26
345	341	332	325	322	310
3	2	2	2	2	1

Schedule 16
Miscellaneous Statistics
June 30, 2010

Date of Statehood	June 20, 1863

West Virginia shares its history with Virginia from 1609 until Virginia seceded from the Union in 1861. The delegates of 40 western counties formed their own government, which was granted statehood in 1863. Declared a state by President Abraham Lincoln, West Virginia is the only state to be designated by Presidential Proclamation.

Form of Government	Constitutional Representative Government
Branches of Government	Legislative - Executive - Judicial
Area (Land and Water)	24,231 square miles (approximately)
Highest Elevation Point	Spruce Knob - 4,863 feet above sea level
Lowest Elevation Point	Harpers Ferry - 240 feet above sea level
Miles of Public Roads and Streets	38,597
Miles Maintained by the State	34,500
State Police Protection:	
Number of State Police Detachments	60
Number of State Police Troopers	660
Higher Education (State Supported):	
Number of Campuses	20
Number of Students	95,145
Recreation:	
Number of State Parks	35
Area of State Parks	76,949 acres
Number of State Forests	8
Area of State Forests	71,235 acres
Number of Rail Trails	2
Distance of Rail Trails	150 miles
Wildlife Fish and Game Management Areas	104
Acreage of Wildlife Management Areas (Owned and Leased)	376,145 acres

Sources: Division of Highways, Division of Public Safety, Higher Education Policy Commission, and Division of Natural Resources.